

**SCHOOL DISTRICT
OF
ISLAND HEIGHTS**



**ISLAND HEIGHTS BOARD OF EDUCATION
ISLAND HEIGHTS, NEW JERSEY**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

ISLAND HEIGHTS SCHOOL DISTRICT

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INTRODUCTORY SECTION

ISLAND HEIGHTS BOARD OF EDUCATION

November 14, 2012

Honorable President and
Members of the Board of Education
Island Heights School District
County of Ocean
Island Heights, NJ 08732

Dear Board Members:

The comprehensive annual financial report of the Island Heights School District for the fiscal year ended June 30, 2012 is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Island Heights Board of Education. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present the financial position and results of operations of the various funds and account groups of the Island Heights school district. All disclosures necessary to enable the reader to gain an understanding of the district's financial activities have been included.

The comprehensive annual financial report is presented in four sections.
These are:

- Introductory
- Financial
- Statistical
- Single audit

The introductory section includes this transmittal letter, the district's organizational chart and a list of principal officials. The financial section includes the general-purpose financial statements and schedules, as well as the auditor's report thereon. The statistical section includes selected financial and demographic information, generally presented in multi-year basis.

The district is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984 and the U.S. Office of Management and Budget Circular A-133, "Audits of State and Local Governments", and the State Treasury Circular Letter 04-04 OMB, "Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid Payments". Information related to the single audit, including the auditor's report on the internal control structure and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

1. Reporting Entity and Its Services:

The Island Heights School District is an independent reporting entity within the criteria adopted by the GASB, as established by NCGA Statement No. 3. All funds and account groups of the district are included in this report. The Island Heights Board of Education and the Island Heights Grade School constitute the district's reporting entity.

The Island Heights School District provides a full range of educational services and programs, which are appropriate for grades Kindergarten through Grade Six. These services and programs include regular, as well as, special education for handicapped pupils. The district completed the 2011-12 fiscal year with an enrollment

of 111 pupils housed in the Island Heights Grade School, and 1 pupils enrolled in an out-of-district placement for special education pupils. The June 2012 enrollment was down to 108 district and 1 out of district as compared to the official data collected for the ASSA report submitted on October 15, 2011. The following enrollment information shows the enrollments recorded on the ASSA reports for each October 15th for the past five years.

<u>Fiscal Year</u> <u>(as of 10/15)</u>	<u>Pupil</u> <u>Enrollment</u>	<u>% Change</u>
2011-12	112	-12%
2010-11	124	13%
2009-10	115	9%
2008-09	108	-4%
2007-08	112	-2%

2. Economic Conditions and Outlook:

The Borough of Island Heights is limited in land for building purposes. The current land use in the 0.6 square mile borough is primarily for single-family residences. There are no subdivisions where new small businesses are being developed. Most of the remaining lots are suitable only for homes. Zoning in the borough of Island Heights prohibits multi-family dwellings. The population of the borough in 1990 was 1,750 and has only grown to 1751 as of the 2000 census. There are limited businesses in Island Heights and the majority of tax ratables are collected from the homeowners. As a result of the lack of employment in the borough of Island Heights, most wage earners living in Island Heights are employed outside of Island Heights. Because of the lack of business tax ratables, and the slow growth of new homes, the present trend of collecting most of the tax ratables from homeowners is expected to continue in the future.

3. Major Initiatives:

The Island Heights Grade School passed a referendum in September 2002 to put on an addition and renovation to the grade school. This project was completed in September 2004 in time for the beginning of school.

The Island Heights grade school continues to provide a resource room program for the pupils classified with handicaps. This program allows them to receive specialized instruction designed to help them with their classified handicapped. When the handicap is severe and cannot be accommodated in the Island Heights Grade School, special class placements are made in out-of-district placements. Every effort is made to enroll handicapped pupils in the Island Heights Grade School and every effort is made to "mainstream" out of district special education pupils whenever appropriate.

The Island Heights Grade School provides various clubs for pupils immediately before/after normal school hours. The types of clubs conducted are a poetry club, choir club and an after-school assistance club, which assists children with homework, research reports, and with academic subjects in which pupils may need extra help. In addition, there are different physical education activities conducted at different times of the year, after school, wherein the physical education teacher conducts skill training in different seasonal sports. An instrumental music program is conducted after school, two times a week, so that pupils do not have to be taken out of class during the regular school day. The Island Heights Board of Education, the staff, and the school community have been very supportive of these extra before/after school activities.

4. Internal Accounting Controls:

Management of the district is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the district are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles (GAAP). The Island Heights Board of Education Business Administrator, Frank

Frazee, has become fully trained in the GAAP procedures and has been the key person in establishing GAAP for the Island Heights Grade School.

The internal control structure is designed to provide reasonable, but not absolute, assurances that these objectives are met. The concept of reasonable assurances recognizes that:

- A. The cost of a control should not exceed the benefits likely to be derived; and,
- B. The valuation of the costs and benefits requires estimated and judgments by management.

As a recipient of federal and state financial assistance, the district also is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is also subject to periodic evaluation by the district management.

Each year before September 30th, the Island Heights Grade School submits data and information to the Bureau of Child Nutrition Program, N.J. Department of Agriculture, Trenton, NJ, in the form of a school nutrition program agreement. For the past five years, our agreements have been approved. We are currently waiting approval for the current school year.

The internal operation of the school lunch program was monitored during the 2007-08 school year. Only minor recommendations were made, with which we have complied. In 2004-05 the IASA Consolidated Grant became known as the NCLB (No Child Left Behind) Grant. The district filed the application for the IDEA Grant and the grant was awarded to the district.

As a part of the district's single audit described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to federal and state financial assistance programs, as well as to determine that the district has complied with applicable laws and regulations.

5. Budgetary Controls:

In addition to internal accounting controls, the district maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the voters of the borough of Island Heights. Annual appropriated budgets are adopted for the general fund, the special revenue fund, and the debt service fund. Project-length budgets are approved for the capital improvements accounted for in the capital projects funds. The final budget amount as amended for the fiscal year is reflected in the financial section.

An encumbrance account system is used to record outstanding purchase commitments on a line item basis. Open encumbrances at year-end are either canceled or are included as reappropriations of fund balance in the subsequent year. Those amounts to be reappropriated are reported as reservations of fund balance as of June 30th each year.

6. Accounting System and Reports:

The district's accounting records reflect generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (GASB). The accounting system of the district is organized on the basis of funds and account groups. These funds and account groups are explained in "Notes to the Financial Statements", Note 1.

7. Debt Administration

On June 30, 2012, the district had an outstanding debt of \$653,000 from bonds issued in May 2003. These bonds will be fully paid in May 2022.

The investment policy of the district is guided in large part by State of New Jersey statutes as detailed in "Notes to the Financial Statements", Note 2. The district has adopted a cash management plan, which requires it to deposit public funds in public depositories protected from loss under the provisions of the governmental unit

deposit protection act (GUDPA). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the act.

8. Risk Management:

The Board of Education carries various forms of insurance, including, but not limited to, general liability, hazard and theft insurance on property and contents, and fidelity bonds.

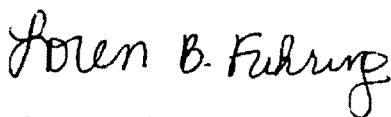
9. Other Information:

Independent Audit: The State of New Jersey statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Robert A. Hulsart & Co., CPAs, was selected by the Island Heights Board of Education. In addition to meeting the requirements set forth in state statutes, the audit also is designed to meet the requirements of the Single Audit Act of 1984 and the related OBM Circular A-133 and State Treasury Circular Letter 04-04 OBM. The auditor's report on the general-purpose financial statements and combining individual fund statements and schedules is included in the financial section of this report. The auditor's reports relate specifically to the single audit and are included in the single audit section of this report.

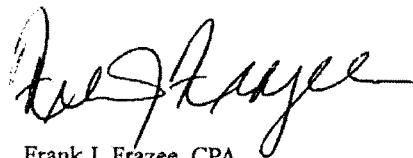
10. Acknowledgments:

We would like to express our appreciation to the members of the Island Heights Board of Education for their concern in providing fiscal accountability to the citizens and taxpayers of the school district and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our staff.

Respectfully submitted,



Loren B. Fuhring
Superintendent



Frank J. Frazee, CPA
Business Administrator

Island Heights Board of Education

Island Heights, New Jersey

June 30, 2012

Members of Board of Education	Term Expires
Douglas Camburn	2014
Karl Ciak	2013
Melissa Drew	2014
Katharine Frankovich	2012
Kevin Nelson	2013
Courtney Parks	2012
Christopher Urso	2012

Other Officials:

Loren B. Fuhring - Superintendent

Frank J. Frazee, CPA – School Business Administrator

Lil Brendel – Board Secretary

Island Heights Board of Education

Consultants & Advisors

Audit firm

Robert A. Hulsart & Son
2807 Hurley Pond Road
Wall, NJ

Attorney

Montenegro, Thompson, Montenegro & Genz
531 Burnt Tavern Road
Brick, NJ

Official Depository

Ocean First Bank
Hooper Avenue
Toms River, NJ

**Island Heights Board of Education
Organizational Chart**

Board of Education

Superintendent

School Business Administrator/Board Secretary

Support Staff

Instructional Staff

Business Staff

FINANCIAL SECTION

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)

ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.

ROBERT A. HULSART, JR., C.P.A., P.S.A.

RICHARD J. HELLENBRECHT, JR., C.P.A., P.S.A.

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Island Heights School District
County of Ocean
Island Heights, New Jersey

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund and the aggregate remaining fund information of the Board of Education of the Island Heights School District, in the County of Ocean, State of New Jersey, as of and for the fiscal year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Island Heights Board of Education's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the Island Heights Board of Education, in the County of Ocean, State of New Jersey, as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, on our consideration of the Island Heights Board of Education's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. This report is an integral part of our audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management Discussion and Analysis and Budgetary Comparison Information on pages 10 through 14 are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Island Heights Board of Education's basic financial statements. The accompanying introductory section and other supplementary information such as the combining and individual fund financial statements, long-term debt schedules, and statistical information are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and long-term debt schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations; and New Jersey OMB's Circular 04-04, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid respectively, and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

ROBERT A. HULSART AND COMPANY

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company

November 14, 2012

REQUIRED SUPPLEMENTARY INFORMATION
PART I

**ISLAND HEIGHTS BOARD OF EDUCATION
ISLAND HEIGHTS, NEW JERSEY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2012
UNAUDITED**

The discussion and analysis of the Island Heights Board of Education District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2012 are as follows:

The overall condition of all funds, instructional activities and business-type activities remains strong for the School District. All goals related to financial activities have been met and if revenue and expenditure patterns can be maintained, the resources for next year will be available.

Total spending for all our programs was \$2,062,258 for the school year 2011-12. Most of the School District's taxes and state aid programs funds were used to support the cost of services for regular instructional programs. State and federal aid in the amount of \$284,353 supported educational programs and the school district's taxes, grants and contributions were sufficient to cover all unfounded costs incurred in the school year 2011-12.

The total cost for the school year 2011-12 for current expense was \$1,955,796 which was a decrease of \$16,023.

Using this Comprehensive Annual Financial Report (CAFR)

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Island Heights Board of Education as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets and Statement of Activities* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The funds financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Island Heights Board of Education, the General Fund is by far the most significant fund.

Reporting the School District as a Whole

State of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, “How did we do financially during 2012?” The Statement of Net Assets and the Statement of Activities answers this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting used by most private-sector business. This basis of accounting takes into account, all of the current year’s revenues and expenses regardless of when cash is received or paid.

These two statements report the School District’s net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the school district as a whole, the financial position of the school district has improved or diminished. The causes of this change may be the results of many factors, some financial and some not. Non-financial factors include the school district’s property tax base, current laws in New Jersey restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the School District is divided into two district kinds of activities:

- Government activities – All of the School District’s programs and services are reported here including instruction, support services, operation and maintenance of plant facilities, pupil transportation and extracurricular activities.
- Business-Type Activity – This service is provided on a charge for goods or services basis to recover all the expenses of the goods or services provided. The Food Service and Material for Resale enterprise funds are reported as business activities.

Reporting the School District’s Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the District’s funds. The District uses many funds to account for a multitude of financial transactions. The District’s governmental funds are the General Fund, Special Revenue Fund and Capital Projects Fund.

Governmental Funds

The District’s activities are reported in governmental funds, which focus on how money flow into and out of those funds and the balances left at year-end available for spending in future years. These funds are reported using an accounting method called modified accrual account, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District’s general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Enterprise Fund

The Enterprise Fund uses the same basis of account as business type activities; therefore these statements are essentially the same.

The School District as a Whole

Recall that the state of Net Assets provides the perspective of the School district as a whole.

Table 1 provides a summary of the School District's net assets for 2011 and 2012.

Table 1
Net Assets

	<u>2012</u>	<u>2011</u>
Assets		
Current and Other Assets	\$ 217,900	202,054
Capital Assets	<u>2,805,967</u>	<u>2,862,736</u>
Total Assets	<u>3,023,867</u>	<u>3,064,790</u>
Liabilities		
Other Liabilities	60,720	91,681
Long-Term Liabilities	<u>671,448</u>	<u>729,201</u>
Total Liabilities	<u>732,168</u>	<u>820,882</u>
Net Assets		
Invested in Capital Assets, Net of Debt	2,152,967	2,149,736
Restricted	130,545	123,489
Unrestricted	<u>8,187</u>	<u>(29,317)</u>
Total Net Assets	<u>\$ 2,291,699</u>	<u>2,243,908</u>

Table 2 shows changes in net assets for fiscal year 2011 and 2012.

Table 2
Change in Net Assets

	<u>2012</u>	<u>2011</u>
Revenues		
Program Revenues:		
Charges for Services	\$ 10,217	10,701
Operating Grants and Contributions	49,638	45,938
General Revenue:		
Property Taxes	1,718,793	1,688,834
Grants and Entitlements	284,353	232,317
Other (net of transfers)	<u>47,048</u>	<u>50,968</u>
Total Revenues	<u>2,110,049</u>	<u>2,028,758</u>
Program Expenses		
Instruction	913,522	911,384
Support Services:		
Pupils and Instructional Staff	176,624	165,335
General Administration, School Admin	190,902	204,371
Business Operations & Maintenance of Facilities	241,077	259,225
Pupil Transportation	30,460	34,192
Business Type Activities	12,431	13,404
Other	<u>497,242</u>	<u>468,834</u>
Total Expenses	<u>2,062,258</u>	<u>2,056,745</u>
Increase/(Decrease) in Net Assets	<u>\$ 47,791</u>	<u>(27,987)</u>

Pupils and instructional staff include the activities involved with assisting staff with the content and process of teaching to students.

General administration, school administration and business include expenses associated with administrative and financial supervision of the district.

Operation and maintenance of facilities activities involve keeping the school grounds, building and equipment in an effective condition.

Analysis of Financial Position

Depreciation expense GASB34 requires school districts for the first time to maintain a record of annual depreciation expense and accumulated depreciation. The net increase in accumulated depreciation expense is a reduction in net assets. For fiscal year ended June 30, 2012 the net increase in accumulated depreciation was \$56,769. Depreciation expense is recorded on a straight-line basis over the estimated useful lives of assets. In accordance with generally accepted accounting principles (GAAP), depreciation expense is recorded based on the original cost of the asset less an estimated salvage value. One way to think of depreciation expense is that in order to maintain net assets at the same level, acquisitions of capital outlay and capitalized major maintenance projects would have to equal the annual depreciation in assets during the year.

Student enrollment in the school district continues to increase which will continue to affect the district's future expenditures. Assessed valuations are continuing to grow, increasing the district's ability to maintain a stable tax rate.

The financial well being of the school district is tied in large measure to the state funding formula and the tax base. As long as the state fully funds state aid and the tax base continues to increase, the school district's tax rate should continue to be stable.

Original budget versus final budget. Over the course of the school year, the school board revised its budget as it attempts to deal with unexpected changes in revenue and expenditures. All transfers are approved by the Board of Education at their regular scheduled meetings.

BASIC FINANCIAL STATEMENTS

DISTRICT-WIDE FINANCIAL STATEMENTS – A

ISLAND HEIGHTS SCHOOL DISTRICT**STATEMENT OF NET ASSETS****Exhibit A-1****JUNE 30, 2012**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 63,813	1,368	65,181
Receivables, Net	22,053	121	22,174
Restricted Assets:			
Capital Reserve - Cash	33,490		33,490
Other Cash and Cash Equivalents	97,055		97,055
Capital Assets Not Depreciated	14,330		14,330
Capital Assets, Net of Depreciation	<u>2,791,637</u>		<u>2,791,637</u>
Total Assets	<u>3,022,378</u>	<u>1,489</u>	<u>3,023,867</u>
<u>Liabilities</u>			
Accounts Payable	720		720
Noncurrent Liabilities:			
Due Within One Year	60,000		60,000
Due Beyond One Year	<u>671,448</u>		<u>671,448</u>
Total Liabilities	<u>732,168</u>	<u>-</u>	<u>732,168</u>
<u>Net Assets</u>			
Invested in Capital Assets, Net of Related Debt	2,152,967		2,152,967
Restricted For:			
Other Purposes	130,545		130,545
Unrestricted	<u>6,698</u>	<u>1,489</u>	<u>8,187</u>
Total Net Assets	<u>\$ 2,290,210</u>	<u>1,489</u>	<u>2,291,699</u>

The accompanying notes to financial statements are an integral part of this statement.

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit A-2
Sheet 1 of 2

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<u>Functions/Programs</u>	<u>Expenses</u>				
Governmental Activities:					
Instruction:					
Regular	\$ 688,653		(688,653)		(688,653)
Special Education	189,944	39,768	(150,176)		(150,176)
Other Instruction	34,925		(34,925)		(34,925)
Support Services:					
Tuition	2,101				
Student & Instruction Related Services	174,523		(2,101)		(2,101)
School Administrative Services	111,112		(174,523)		(174,523)
Central Services	79,790		(111,112)		(111,112)
Plant Operations and Maintenance	241,077		(79,790)		(79,790)
Pupil Transportation	30,460		(241,077)		(241,077)
Depreciation	56,769		(30,460)		(30,460)
Unallocated Benefits	404,994		(56,769)		(56,769)
Capital Outlay	1,932		(404,994)		(404,994)
Interest and Other Charges	27,253		(1,932)		(1,932)
Education Jobs	6,294		(27,253)		(27,253)
Total Government Activities	<u>2,049,827</u>	<u>6,294</u>	<u>-</u>	<u>-</u>	<u>-</u>
		<u>46,062</u>	<u>(2,003,765)</u>	<u>-</u>	<u>(2,003,765)</u>
Business-Type Activities:					
Food Service	12,431	10,217		1,362	1,362
Total Business-Type Activities	<u>12,431</u>	<u>10,217</u>	<u>-</u>	<u>1,362</u>	<u>1,362</u>
Total Primary Government	<u>2,062,258</u>	<u>49,638</u>	<u>(2,003,765)</u>	<u>1,362</u>	<u>(2,002,403)</u>

ISLAND HEIGHTS SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

**Exhibit A-2
Sheet 2 of 2**

FOR THE YEAR ENDED JUNE 30, 2012

	Net (Expense) Revenue and Changes in Net Assets		
	Governmental Activities	Business-Type Activities	Total
General Revenues:			
Taxes:			
Property Taxes, Levied for General Purpose, Net	1,631,883		1,631,883
Taxes Levied for Debt Service	86,910		86,910
Federal and State Aid Not Restricted	284,353		284,353
Tuition	27,285		27,285
Miscellaneous Income	26,263	(6,500)	19,763
Total General Revenues, Special Items, Extraordinary Items and Transfers	2,056,694	(6,500)	2,050,194
Change in Net Assets	52,929	(5,138)	47,791
Net Assets - Beginning	2,237,281	6,627	2,243,908
Net Assets - Ending	\$ 2,290,210	1,489	2,291,699

The accompanying Notes to Financial Statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS – B

BALANCE SHEET**GOVERNMENTAL FUNDS****JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 160,867		1	160,868
Cash Capital Reserve	33,490			33,490
Receivable - Net	14,501	7,552		22,053
Interfund Receivable	7,552			7,552
Total Assets	<u>\$ 216,410</u>	<u>7,552</u>	<u>1</u>	<u>223,963</u>
<u>Liabilities and Fund Balance</u>				
Liabilities:				
Accounts Payable	\$ 720			720
Interfund Payable	-	7,552		7,552
Total Liabilities	<u>720</u>	<u>7,552</u>	<u>-</u>	<u>8,272</u>
Fund Balance:				
Assigned fund Balance:				
Encumbrances	1,661			1,661
Designated for Subsequent Years Expenditures	73,000			73,000
Restricted Fund Balance:				
Maintenance Reserve	22,393			22,393
Capital Reserve	33,490			33,490
Unrestricted Fund Balance	85,146		1	85,147
Total Fund Balances	<u>215,690</u>	<u>-</u>	<u>1</u>	<u>215,691</u>
Total Liabilities and Fund Balance	<u>\$ 216,410</u>	<u>7,552</u>	<u>1</u>	

Amounts reported for governmental activities in the Statement of Net Assets (A-1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. The cost of the assets is \$3,922,351 and the accumulated depreciation is \$1,116,384.

2,805,967

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. (see Note 3)

(731,448)

Net assets of governmental activities

\$ 2,290,210

The accompanying Notes to Financial Statements are an integral part of this statement.

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit B-2
Sheet 1 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

<u>Revenues</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Local Sources:				
Local Tax Levy	\$ 1,631,883		86,910	1,718,793
Tuition	27,285			27,285
Miscellaneous	26,262		1	26,263
Total Local Sources	1,685,430		86,911	1,772,341
State Sources	284,353	-		284,353
Federal Sources	6,294	39,768		46,062
Total Revenues	1,976,077	39,768	86,911	2,102,756
<u>Expenditures</u>				
Current:				
Regular Instruction	718,412			718,412
Special Education Instruction	150,176	39,768		189,944
Other Special Instruction	27,666			27,666
Other Instruction	7,259			7,259
Support Services and Undistributed Costs:				
Tuition	2,101			2,101
Students and Instruction Related Services	174,523			174,523
School Administrative Services	111,112			111,112
Central Services	79,790			79,790
Plant Operations and Maintenance	241,077			241,077
Pupil Transportation	30,460			30,460
Unallocated Benefits	404,994			404,994
Capital Outlay	1,932			1,932
Education jobs	6,294			6,294
Debt Service:				
Principal			60,000	60,000
Interest and Other Charges			26,928	26,928
Total Expenditures	1,955,796	39,768	86,928	2,082,492

The accompanying Notes to Financial Statements are an integral part of this statement.

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit B-2
Sheet 2 of 2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Special Revenue Fund	Debt Service Fund	Total Governmental Funds
Excess (Deficiency) of Revenues Over Expenditures	20,281	-	(17)	20,264
Net Change in Fund Balances	20,281	-	(17)	20,264
Fund Balance - July 1	195,409		18	195,427
Fund Balance - June 30	\$ 215,690	-	1	215,691

The accompanying Notes to Financial Statements are an integral part of this statement.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES

Exhibit B-3

AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDSTO THE STATEMENT OF ACTIVITIESFOR THE YEAR ENDED JUNE 30, 2012

Total Net Change in Fund Balances - Governmental Funds (From B-2)	\$ 20,264
Amounts Reported for Governmental Activities in the Statement of Activities (A-2) are Different Because:	
Capital Outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the period.	
Depreciation Expense	(56,769)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets and is not reported in the statement of activities.	60,000
In the statement of activities, interest on long-term debt in the statement of activities is accrued, regardless of when due. In the governmental funds, interest is reported when due.	(325)
In the statement of activities, certain operating expenses as compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are reported when paid.	<u>29,759</u>
Change in Net Assets of Governmental Activities	<u>\$ 52,929</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ISLAND HEIGHTS SCHOOL DISTRICT**STATEMENT OF NET ASSETS****Exhibit B-4****PROPRIETARY FUNDS****JUNE 30, 2012**

	<u>Enterprise Fund</u>
<u>Assets</u>	
Cash	\$ 1,368
Accounts Receivable	121
Total Current Assets	<u>1,489</u>
Noncurrent Assets:	
Furniture, Machinery & Equipment	4,437
Less: Accumulated Depreciation	<u>(4,437)</u>
Total Noncurrent Assets	<u>-</u>
Total Assets	<u><u>\$ 1,489</u></u>
<u>Net Assets</u>	
Unrestricted	<u>\$ 1,489</u>
Total Net Assets	<u><u>\$ 1,489</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENSES AND CHANGES

Exhibit B-5

IN FUND NET ASSETSPROPRIETARY FUNDSJUNE 30, 2012

	<u>Enterprise Fund</u>
Operating Revenues:	
Local Sources:	
Daily Sales Reimbursable Programs	\$ 10,217
Total Operating Revenue	<u>10,217</u>
Operating Expenses:	
Cost of Sales	12,267
General Supplies\Miscellaneous Expense	164
Total Operating Expenses	<u>12,431</u>
Operating Income (Loss)	(2,214)
Non-Operating Revenues (Expenses):	
State Sources:	
State School Lunch Program	171
Federal Sources:	
National School Lunch Program	3,405
Board of Education Subsidy	(6,500)
Total Non-Operating Revenues	<u>(2,924)</u>
Net Change in Net Assets	(5,138)
Net Assets, Beginning	<u>6,627</u>
Net Assets, Ending	<u>\$ 1,489</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

STATEMENT OF CASH FLOWS**Exhibit B-6****PROPRIETARY FUNDS****JUNE 30, 2012**

	Enterprise Fund
Cash Flows from Operating Activities:	
Receipts from Customers	\$ 10,986
Payments to Food Service	(12,267)
Payments to Suppliers	(164)
Net Cash Used by Operating Activities	<u>(1,445)</u>
Cash Flows from Noncapital Financing Activities:	
State Sources	171
Federal Sources	3,405
Non-Operating Subsidies	(6,500)
Net Cash Provided (Used by) Noncapital Financing Activities	<u>(2,924)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(4,369)
Balances Beginning of Year	<u>5,737</u>
Balances End of Year	<u><u>\$ 1,368</u></u>
Cash Flows from Operating Activities:	
Operating (Loss)/Profit	\$ (2,214)
Adjustments to Reconcile Operating Loss to Cash Provided (Used) by Operating Activities	
Change in Assets and Liabilities:	
(Increase)/Decrease in Accounts Receivable	<u>769</u>
Net Cash Used by Operating Activities	<u><u>\$ (1,445)</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ISLAND HEIGHTS SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET ASSETS

FIDUCIARY FUNDS

JUNE 30, 2012

Exhibit B-7

	<u>Unemployment Compensation Trust</u>
Assets:	
Cash and Cash Equivalents	<u>\$ 52,665</u>
Total Assets	<u><u>\$ 52,665</u></u>
Net Assets:	
Held in Trust for Unemployment Claims	<u>\$ 52,665</u>
Total Net Assets	<u><u>\$ 52,665</u></u>

The accompanying Notes to Financial Statements are an integral part of this statement.

ISLAND HEIGHTS SCHOOL DISTRICT**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**

Exhibit B-8

FIDUCIARY FUNDS**FOR THE YEAR ENDED JUNE 30, 2012**

	Unemployment Compensation Trust
<u>Additions</u>	
Investment Earnings:	
Interest	\$ 41
Total Additions	41
<u>Deductions</u>	
Unemployment Claims	6,426
Total Deductions	6,426
Change in Net Assets	(6,385)
Net Assets - Beginning of Year	59,050
Net Assets - End of the Year	\$ 52,665

The accompanying Notes to Financial Statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

BOARD OF EDUCATION
ISLAND HEIGHTS SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE 1: Summary of Significant Accounting Policies

The financial statements of the Board of Education (Board) of the Island Heights School District (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Board's accounting policies are described below.

A. Reporting Entity:

The Board is an instrumentality of the State of New Jersey, established to function as an educational institution. The Board consists of elected officials and is responsible for the fiscal control of the District. A superintendent is appointed by the Board and is responsible for the administrative control of the District.

The primary criterion for including activities within the District's reporting entity, as set forth in Section 2100 of the GASB Codification of Government Accounting and Financial Reporting Standards, is the degree of oversight responsibility maintained by the District. Oversight responsibility includes financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. The combined financial statements include all funds and account groups of the District over which the Board exercises operating control. The operations of the District include an elementary school located in Island Heights Borough. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. Furthermore the District is not includable in any other reporting entity on the basis of such criteria.

B. Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the government as a whole. These financial statements are constructed around the concept of a primary government as defined by GASB-14 (The Financial Reporting Entity) and therefore encompass the primary government and its component units except for fiduciary funds of the primary government and component units that are fiduciary in nature. Financial statements of fiduciary funds are not presented in the government-wide financial statements but are included in the fund financial statements.

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Government-Wide Financial Statements (Continued)

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services which report fees and other charges to users of the District's services and (2) operating grants and contributions. These revenues are subject to externally imposed restrictions to these program uses. Tax levies and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for non-major funds.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The financial statements of the District are prepared in accordance with generally accepted accounting principles (GAAP). The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. The government-wide and proprietary fund financial statements apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Proprietary and fiduciary fund financial statements also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. County tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met. The Unemployment Trust Fund recognizes employer and employee contributions in the period in which contributions are due.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to apply current liabilities. The District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for long-term pension and compensated absences, which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual includes Intergovernmental revenues, and the county tax levy. In general, other revenues are recognized when cash is received.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for food sales and for services provided to other governmental entities. Principles operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

D. Fund Accounting:

The accounts of the District are maintained in accordance with the principles of fund accounting to ensure observance of limitations and restrictions on the resources available. The principles of fund accounting require that resources be classified for accounting and reporting purposes into funds or account groups in accordance with activities or objectives specified for the resources. Each fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types".

Governmental Fund Types

General Fund: The general fund is the general operating fund of the District and is used to account for all expendable financial resources except those required to be accounted for in another fund.

Special Revenue Fund: The District accounts for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are legally restricted to expenditures for specified purposes in the special revenue funds.

Capital Projects Fund: the capital projects fund is used to account for all financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Debt Service Fund: The debt service fund is used to account for the accumulation of resources for, and the payment of principal and interest on bonds issued to finance major property acquisition, construction and improvement programs.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Fund Accounting (Continued):

Proprietary Fund Type

Enterprise Fund: To account for operations that are financed and operated in a manner similar to private business enterprises, in which the intent of the District is that the costs of providing goods or services to the District on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Trust and Agency Funds: The trust and agency funds are used to account for assets held by the District on behalf of outside parties, including other governments, or on behalf of other funds within the District.

Unemployment Compensation Trust Fund: The trust fund is used to account for assets held under the terms of a formal trust agreement. The District reimburses the costs of unemployment benefits paid by the New Jersey Department of Labor.

Agency Funds (Payroll and Student Activities Fund): Agency funds are used to account for the assets that the District holds on behalf of others as their agent. Agency funds are custodial in nature and do not involve measurement of results of operations.

E. Budgets/Budgetary Control:

Annual appropriated budgets are prepared in the spring of each year for the general, special revenue, and debt service funds. The budgets are submitted to the County office and are voted upon at the annual school election on the third Tuesday in April. Budgets are prepared using the modified accrual basis of accounting; the legal level of budgetary control is established at line item accounts within each fund. Line item accounts are defined as the lowest (most specific) level of detail as established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6A:23-2.2(g)1. All budget amendments must be approved by School Board resolution. Budget amendments during the year ended June 30, 2012 were insignificant.

The Public School Education Act of 1975 limits the annual increase of any district's net current expense budget. The Commissioner of Education certifies the allowable amount for each district but may grant a higher level of increase if he determines that the sums so provided would be insufficient to meet the identified goals and needs of the district or that an anticipated enrollment increase requires additional funds.

The Commissioner must also review every proposed local school district budget for the next school year. He examines every item of appropriations for current expenses and budgeted capital outlay to determine their adequacy in relation to the identified needs and goals of the district. If, in his view, they are insufficient, the Commissioner must order remedial action. If necessary, he is authorized to order changes in the local district budget.

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Budgets/Budgetary Control (Continued):

Once a budget is approved, it can be amended by transfers or additional appropriation of fund balances by approval of a majority of the members of the Board. Amendments are presented to the Board at their regular meetings. Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end as dictated by law. Individual transfers were not material in relation to the original appropriations. All uncommitted budget appropriations lapse at year-end.

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal year end.

The accounting records of the special revenue fund are maintained on the grant accounting budgetary basis. The grant accounting budgetary basis differs from GAAP in that the grant accounting budgetary basis recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. Sufficient supplemental records are maintained to allow for the presentation of GAAP basis financial reports.

F. Encumbrances:

Under encumbrance accounting purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve a portion of the applicable appropriation. Open encumbrances in governmental funds other than the special revenue fund are reported as reservations of fund balances at fiscal year end as they do not constitute expenditures or liabilities but rather commitments related to unperformed contracts for goods and services.

Open encumbrances in the special revenue fund for which the District has received advances are reflected in the balance sheet as deferred revenues at fiscal year end.

The encumbered appropriation authority carries over into the next fiscal year. An entry will be made at the beginning of the next fiscal year to increase the appropriation reflected in the certified budget by the outstanding encumbrance amount as of the current fiscal year end.

G. Short-Term Interfund Receivables/Payables:

Short-Term interfund receivables/payables represents amounts that are owed, other than charges for good or services rendered to/from a particular fund in the District and that are due within one year.

H. Inventories and Prepaid Expenses

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase. The value of inventories remaining at the end of the fiscal year is not included on the balance sheet.

NOTE 1: Summary of Significant Accounting Policies (Continued)**H. Inventories and Prepaid Expenses (Continued)**

Enterprise fund inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. Prepaid expenses in the enterprise fund represent payments made to vendors for services that will benefit periods beyond June 30, 2012.

I. Capital Assets and Depreciation

The District's property, buildings and improvements, equipment, vehicles, furniture and fixtures with useful lives of five years or more are stated at historical or estimated historical cost and are reported in the government-wide financial statements. Proprietary Fund capital assets are reported in its respective fund.

The District contracted with an outside service company during the 2003 fiscal year to provide a report with a comprehensive detail of capital assets and depreciation. The report included capital assets purchased during the 2002-2003 fiscal year and prior with a historical cost of \$2,000 or more. Accumulated depreciation prior to fiscal year 2003, fiscal year 2003 depreciation expense, total accumulated depreciation and book values were also provided, and have been updated annually through 2010-2011. The costs of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts. Estimated useful lives, in years, for depreciable assets are as follows:

Buildings and Improvements	20 – 50
Equipment and Vehicles	5 – 20
Furniture and Fixtures	5 – 20

Capital asset activity for the year ended June 30, 2012 was as follows:

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Adjust.</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Governmental Activities:					
Capital Assets That are					
Not Being Depreciated:					
Land	\$ 14,330	_____	_____	_____	14,330
Depreciable Assets:					
Site Improvements	21,616				21,616
Buildings & Sites	3,614,128				3,614,128
Equipment	272,277	_____	_____	_____	272,277
Total	3,908,021	_____	_____	_____	3,908,021

NOTE 1: Summary of Significant Accounting Policies (Continued)**I. Capital Assets and Depreciation (Continued)**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Adjust.</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2012</u>
Less: Accumulated Depreciation:					
Site Improvements	(18,054)	(549)			(18,603)
Buildings	(810,138)	(48,302)			(858,440)
Equipment	<u>(231,423)</u>	<u>(7,918)</u>	<u> </u>	<u> </u>	<u>(239,341)</u>
Total Accumulated Depreciation	<u>(1,059,615)</u>	<u>(56,769)</u>	<u> </u>	<u> </u>	<u>(1,116,384)</u>
Net Depreciable Assets	<u>2,848,406</u>	<u>(56,769)</u>	<u> </u>	<u> </u>	<u>2,791,637</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 2,862,736</u>	<u>(56,769)</u>	<u> </u>	<u> </u>	<u>2,805,967</u>
Business-Type Activities:					
Equipment	\$ 4,637				4,637
Less: Accumulated Depreciation					
Equipment	<u>(4,637)</u>	<u> </u>	<u> </u>	<u> </u>	<u>(4,637)</u>
Business-Type Activities					
Capital Assets (Net)	<u>\$</u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Depreciation expense was charged to governmental functions as follows:

Unallocated	<u>\$ 56,769</u>
-------------	------------------

J. Compensated Absences

District employees are permitted, within certain limitations, to accrue vacation and sick leave in varying amounts under the Districts personnel policies and may be paid at a later date according to contractual agreements.

The liability for vested compensated absences of the governmental fund types is recorded in the government-wide financial statements as a non-current liability. Governmental funds report only matured compensated absences payable to currently terminating employees and are included in wages and benefits payable

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Deferred Revenue

Deferred revenue in the general and special revenue funds represent cash which has been received but not yet earned. Deferred revenue in the general fund represents monies received for fiscal year 2012. See Note 1(F) regarding the special revenue fund.

L. Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes. The general fund reserve for restricted purposes includes net assets relating to capital reserve (See Note 9).

NOTE 2: Cash and Cash Equivalents and Investments

Cash and cash equivalents includes petty cash, change funds, amounts in deposits, and short term investments with original maturities of three months or less.

Investments are stated at cost, which approximates market. The District classifies certificates of deposit, which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

Deposits

New Jersey statutes require that school districts deposit public funds in public depositories located in New Jersey which are insured by the Federal Deposit Insurance Corporation, the Federal Savings and Loan Insurance Corporation, or by any other agency of the United States that insures deposits made in public depositories. School districts are also permitted to deposit public funds in the State of New Jersey Cash Management Fund.

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed depository insurance limits as follows:

The market value of the collateral must equal at least 5% of the average daily balance of collected public funds on deposit.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

All collateral must be deposited with the Federal Reserve Bank of New York, the Federal Reserve Bank of Philadelphia, the Federal Home Loan Bank of New York, or a banking institution that is a member of the Federal Reserve System and has capital funds of not less than \$25,000.000.

NOTE 2: Cash and Cash Equivalents and Investments (Continued)**Investments**

New Jersey statutes permit the District to purchase the following types of securities:

- a. Bonds or other obligations of the United States or obligations guaranteed by the United States.
- b. Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or any United States Bank for cooperatives which have a maturity date not greater than twelve months from the date of purchase.
- c. Bonds or other obligations of the school district.

As of June 30, 2012, cash and cash equivalents and investments of the District consisted of the following:

	Cash and Cash Equivalents
Checking, Money Market Accounts and Certificate of Deposit	<u>\$ 203,790</u>

During the period ended June 30, 2012, the District did not hold any investments. The carrying amount of the District's cash and cash equivalents at June 30, 2012 was \$203,790 and the bank balance was \$245,568. Of the bank balance, \$245,568 was covered by federal depository insurance.

Credit Risk Categories

All bank deposits and investments as of the balance sheet date are classified as to credit risk by the following two categories described below:

FDIC	\$ 245,568
------	------------

As of June 30, 2012, the District did not hold any long-term investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk.

The District had no uninsured deposits.

NOTE 3: General Long-Term Debt

During the fiscal year ended June 30, 2012, the following changes occurred in liabilities reported in the general long-term debt account group:

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>	<u>Amount</u> <u>Due in</u> <u>One Year</u>	<u>Long-Term</u> <u>Portion</u>
Compensated						
Absences Payable	\$ 108,207		29,759	78,448	78,448	
Bonds Payable	<u>713,000</u>		<u>60,000</u>	<u>653,000</u>	<u>593,000</u>	<u>60,000</u>
	<u>\$ 821,207</u>		<u>89,759</u>	<u>731,448</u>	<u>671,448</u>	<u>60,000</u>

A. Bonds Payable

Bonds are authorized in accordance with State law by the voters of the municipality through referendums. All bonds are retired in serial installments within the statutory period of usefulness. Bonds issued by the Board are of general obligation bonds, and the interest rates vary from 3.00% to 4.250%.

Principal and interest due on serial bonds outstanding is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending June 30,			
2013	\$ 60,000	24,789	84,789
2014	60,000	22,577	82,577
2015	60,000	20,290	80,290
2016	60,000	17,965	77,965
2017	60,000	14,403	74,403
2018-2022	300,000	43,075	343,075
2023	<u>53,000</u>	<u>1,126</u>	<u>54,126</u>
	<u>\$ 653,000</u>	<u>144,225</u>	<u>797,225</u>

NOTE 4: Pension Plans

Description of Plans – All required employees of the District are covered by either the Public Employees' Retirement System or the Teachers' Pension and Annuity Fund which have been established by state statute and are administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of both Systems will be assumed by the State of New Jersey should the Systems terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System and the Teacher's Pension and Annuity Fund. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625.

NOTE 4: Pension Plans (Continued)

Teachers' Pension and Annuity Fund (TPAF) – The Teachers' Pension and Annuity Fund was established as of January 1, 1955, under the provisions of N.J.S.A. 18A:66 to provide retirement benefits, death, disability and medical benefits to certain qualified members. The Teachers' Pension and Annuity Fund is considered a cost-sharing multiple-employer plan with a special funding situation, as under current statute, all employer contributions are made by the State of New Jersey on behalf of the District and the system's other related non-contributing employers. Membership is mandatory for substantially all teachers or members of the professional staff certified by the State Board of Examiners, and employees of the Department of Education who have titles that are unclassified, professional and certified.

Public Employees' Retirement System (PERS) – The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

Vesting and Benefit Provisions – The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43.3B and N.J.S.A. 18A:6C for TPAF. All benefits vest after eight to ten years of service, except for medical benefits that vest after 25 years of service. Retirement benefits for age and service are available at age 60 and are generally determined to be 1/60 of the final average salary for each year of service credit, as defined. Final average salary equals the average salary for the final three years of service prior to retirement (or highest three years' compensation if other than the final three years). Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving eight to ten years of service in which case benefits would begin the first day of the month after the member attains normal retirement age. The TPAF and PERS provide for specified medical benefits for members who retire after achieving 25 years of qualified service, as defined, or under the disability provision of the System.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contribution. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Significant Legislation - During the year ended June 30, 1997, legislation was enacted Chapter 114, P.L. 1997) authorizing the New Jersey Economic Development Authority to issue bonds, notes or other obligations for the purpose of financing, in full or in part, the State of New Jersey's portion of the unfunded accrued liability under the State of New Jersey retirement systems. Additional legislation enacted during the year ended June 30, 1997 (Chapter 115, P.L. 1997), changed the asset valuation method from market related value to full-market value. This legislation also contains a provision to reduce the employee contribution rate by ½ of 1% to 4.5% for calendar years 1998 and 1999, and to allow for a reduction in the employee's rate after calendar year 1999, providing excess valuation assets are available. The legislation also provided that the Districts' normal contributions to the Fund may be reduced based on the revaluation of assets. Due to recognition of the bond proceeds and the change in asset valuation method as a result of enactment of Chapters 114 and 115, all unfunded accrued liabilities were eliminated, except for the unfunded liability for local early retirement incentive benefits, accordingly, the pension costs for TPAF and PERS were reduced.

NOTE 4: Pension Plans (Continued)

Funding Policy – The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. TPAF and PERS provide for employee contributions of 5% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in both TPAF and PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums. Under current statute the District is a non-contributing employer of the TPAF.

Legislation enacted during 1993 provides early retirement incentives for certain members of TPAF and PERS who met certain age and service requirements and who applied for retirement between certain dates in the 1994 fiscal year. The early retirement incentives included: (a) an additional five years of service credit for employees at least age 50 with a minimum of 25 years of service; (b) free health benefits for employees at least 60 years old with at least 20 years of service; and (c) an additional \$500 per month for two years for employees at least age 60 with 10 years but less than 20 years of service. The Board will assume the increased cost for the early retirement as it affects their districts.

During the year ended June 30, 2012, the State of New Jersey contributed \$94,730 to the TPAF for post-retirement medical benefits on behalf of the District. Also, in accordance with N.J.S.A. 18A:66-66 the State of New Jersey reimbursed the District \$67,175 during the year ended June 30, 2012 for the employer's share of social security contributions for TPAF members as calculated on their base salaries. These amounts have been included in the general-purpose financial statements, and the combining and individual fund and account group statements and schedules as revenues and expenditure in accordance with GASB 34.

Three-Year Trend Information for PERS

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 22,062	100%	\$ 0
6/30/11	20,746	100%	0
6/30/10	16,211	100%	0

Three-Year Trend Information for TPAF (Paid On-Behalf of the District)

Year Funding	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 94,730	100%	\$ 0
6/30/11	62,138	100%	0
6/30/10	57,714	100%	0

NOTE 5: Post-Retirement Benefits

P.L. 1987, c. 384 and P.L. 1990, c.6 required Teachers' Pensions and Annuity Fund (TPAF) and the Public Employees' Retirement System (PERS), respectively, to fund post-retirement medical benefits for those State employees who retire after accumulating 25 years of credited service or on a disability retirement. P.L. 2007, c. 103 amended the law to eliminate the funding of post-retirement medical benefits through the TPAF and PERS. It created separate funds outside of the pension plans for the funding and payment of post-retirement medical benefits for retired State employees and retired educational employees. As of June 30, 2011, there were 93,323 retirees eligible for post-retirement medical benefits. The cost of these benefits is funded through contributions by the State in accordance with P.L. 1994, c.62. Funding of post-retirement medical premiums changed from a prefunding basis to a pay-as-you-go basis beginning in Fiscal Year 1994.

The State is also responsible for the cost attributable to P.L. 1992 c. 126, which provides free health benefits to members of PERS and the Alternate Benefit Program who retired from a board of education or county college with 25 years of service. The State paid \$144 million toward Chapter 126 benefits for 15,709 eligible retired members in Fiscal Year 2011.

NOTE 6: Interfund Receivables and Payables

	<u>To</u>	<u>From</u>
General	\$ 7,552	
Special Revenue		7,552

NOTE 7: Compensated Absences

The District accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16 (GASB 16), "Accounting for Compensated Absences". A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the right to the benefits.

District employees are granted varying amounts of vacation and sick leave in accordance with the District's personnel policy. Upon termination, employees are paid for accrued vacation. The District's policy permits employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement employees shall be paid by the District for the unused sick leave in accordance with the District's agreements with the various employee unions.

In the district-wide *Statement of Net Assets*, the liabilities whose average maturities are greater than one year should be reported in two components – the amount due within one year and the amount due in more than one year.

The liability for vested compensated absences of the proprietary fund types is recorded within those funds as the benefits accrue to employees. As of June 30, 2012, no liability existed for compensated absences in the Food Service Fund.

NOTE 8: Capital Reserve Account

A capital Reserve account was established by the Borough of Island Heights Board of Education for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Fund placed in the capital reserve account are restricted to capital projects in the district's approved Long Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6:23A-5.1(d) 7*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 2011 to June 30, 2012 fiscal year is as follows:

Beginning Balance, July 1, 2011	\$ 33,429
Budget Increase	50
Interest Earnings	<u>11</u>
Ending Balance, June 30, 2012	<u>\$ 33,490</u>

NOTE 9: Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance – The District maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Comprehensive Annual Financial Report.

New Jersey Unemployment Compensation Insurance – The District has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method". Under this plan, the District is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The District is billed quarterly for amounts due the State. The following is a summary of District contributions, employee contributions, reimbursements to the State for benefits paid and the ending balance of the District's expendable trust fund for the current year and previous year:

<u>Fiscal Year</u>	<u>Employee Contributions</u>	<u>District Contributions</u>	<u>Disbursed</u>	<u>Balance</u>
2011-2012	\$ 41		6,426	52,665
2010-2011	123	-0-	19,141	59,050
2009-2010	310	-0-	-0-	78,068

NOTE 10: Tuition Adjustments

Regulations specify that tuition adjustments for any given school year shall be remitted/ received in the two following years after the tuition rate is certified. These adjustments have not been reflected on the June 30, 2012 financial statements.

NOTE 11: Economic Dependency

The District receives a substantial amount of its support from federal and state governments. A significant reduction in the level of support, if this were to occur, may have an effect on the District's programs and activities.

NOTE 12: Operating Leases

The District had commitments to lease a digital copier under an operating lease that expires in 2012. Operating lease payments began in the 2004-2005 budget year. During 2010-2011 the District entered into a new agreement whereas the old lease was paid off by the vendor, Atlantic Business Products, and a new lease was entered into. The new lease payments began in 2011 and will expire in 2016. Future minimum lease payments are as follows:

Year Ending June 30,	
2013	\$ 7,702
2014	7,702
2015	7,702
2016	<u>5,135</u>
	<u>\$ 28,241</u>

NOTE 13: Contingent Liabilities

The Board is involved in several claims and lawsuits incidental to its operations. In the opinion of the administration and legal counsel, the ultimate resolution of these matters will not have a material adverse effect of the financial position of the District.

NOTE 14: 2% Calculation of Excess Surplus

2011-12 Total General Fund Expenditures Per the CAFR	\$ 1,955,796
Decreased by:	
On Behalf TPAF Pension and Social Security	<u>(161,905)</u>
Adjusted 2011-12 General Fund Expenditures	<u>\$ 1,793,891</u>
2% of Adjusted 2011-12 General Fund Expenditures	<u>\$ 35,878</u>
Enter Greater of Above or \$250,000	\$ 250,000
Increased by Allowable Adjustments	<u>1,566</u>
Maximum Unassigned Fund Balance	<u>\$ 251,566</u>

NOTE 14: 2% Calculation of Excess Surplus**Section 2**

Total General Fund Fund Balance @ June 30, 2012	\$ 227,993
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Decreased by:

Reserved for Encumbrances	(1,661)
Designated for Subsequent Year's Expenditures	(73,000)
Other Reserves	<u>(55,883)</u>

Total Unassigned Fund Balance	<u>\$ 97,449</u>
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Section 3**Detail of Allowable Adjustment**

Non-Public Transportation	<u>\$ 1,566</u>
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Detail of Other Restricted Fund Balance

Maintenance Reserve	\$ 22,393
Capital Reserve	<u>33,490</u>
	<u>\$ 55,883</u>

NOTE 15: Fund Balance Appropriated

General Fund – Of the \$227,993 General Fund fund balance at June 30, 2012, \$1,661 is reserved for encumbrances; \$33,490 has been reserved in the Capital Reserve Account; \$22,393 is maintenance reserve; \$73,000 is unreserved fund balance designated for subsequent year's expenditures for the fiscal year ending June 30, 2012; and \$97,449 is unreserved and undesignated.

Debt Service Fund – The Debt Service Fund fund balance at June 30, 2012 was \$11.

NOTE 16: Calculation of Excess Surplus

In accordance with *N.J.S.A. 18A:7F-7*, as amended, the designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to the New Jersey Comprehensive Educational Improvement and Financing Act of 1996 (CEIFA). New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. There is no excess fund balance at June 30, 2012.

NOTE 17: Significant Accounting Pronouncements

In June 2009, the FASB issued FASB ASC 105, Generally Accepted Accounting Principles, which establishes the FASB Accounting Standards Codification as the sole source of authoritative generally accepted accounting principles. Pursuant to the provisions of FASB ASC 105, the District has updated references to GAAP in its financial statements issued for the period ended June 30, 2011. The adoption of FASB ASC 105 did not impact the District's financial position or results of operations.

In May 2009, the FASB updated ASC 855, Subsequent Events, which is effective for reporting periods ending after June 15, 2009. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date, but before the financial statements are issued, or are available to be issued. The District adopted the amended sections of ASC 855 and it did not have an impact on the District's financial statements. The District evaluated all events or transactions that occurred after June 30, 2012 through November 14, 2012.

REQUIRED SUPPLEMENTARY INFORMATION
PART II

BUDGETARY COMPARISON SCHEDULES – C

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 1 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Revenues:					
Local Sources:					
Local Tax Levy	\$ 1,631,883		1,631,883	1,631,883	-
Tuition	21,000		21,000	27,285	6,285
Interest Earned on Capital Reserve	50		50	11	(39)
Interest Earned on Maintenance Reserve	50		50	11	(39)
Unrestricted Miscellaneous Revenues	4,000		4,000	26,240	22,240
Total Local Sources	1,656,983	-	1,656,983	1,685,430	28,447
State Sources:					
Transportation Aid	10,847		10,847	10,847	-
Special Education Aid	60,142		60,142	60,142	-
Security Aid	8,421		8,421	8,421	-
Adjustment Aid	25,798		25,798	45,567	19,769
Non Public Transportation			-	1,566	1,566
TPAF Pension (On Behalf-Non-Budgeted)			-	94,730	94,730
TPAF Social Security (Reimbursed - Non-Budgeted)			-	67,175	67,175
Total State Sources	105,208	-	105,208	288,448	183,240
Federal Sources:					
Education Jobs	6,103	191	6,294	6,294	-
Total Revenues	1,762,191	-	1,762,191	1,980,172	211,687

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 2 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
<u>Expenditures:</u>					
Current Expense:					
Regular Programs - Instruction:					
Kindergarten - Salaries of Teachers	115,707	(13,210)	102,497	102,416	81
Grades 1-5 - Salaries of Teachers	453,723	1,544	455,267	454,752	515
Grades 6-8 - Salaries of Teachers	77,062	109	77,171	77,171	-
Regular Programs - Undistributed Instruction:					
Other Salaries for Instruction	29,225	7,249	36,474	30,988	5,486
Purchased Professional Educational Services	2,900	(1,318)	1,582	1,200	382
Other Purchased Services (400-500 Series)	4,000		4,000	3,071	929
General Supplies	48,755	(3,761)	44,994	41,111	3,883
Other Objects	7,800		7,800	7,703	97
Total Regular Programs - Instruction	739,172	(9,387)	729,785	718,412	11,373
Special Education - Instruction:					
Resource Room/Resource Center:					
Salaries of Teachers	99,163	7,998	107,161	104,448	2,713
Total Resource Room	99,163	7,998	107,161	104,448	2,713
Preschool Disabilities - Full-time:					
Salaries of Teachers	26,615	973	27,588	27,588	-
Other Salaries for Instruction	18,250		18,250	15,789	2,461
Other Purchased Services	5,000		5,000		5,000
General Supplies	5,700		5,700	2,351	3,349
Total Preschool Disabilities - Full-time	55,565	973	56,538	45,728	10,810

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 3 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Total Special Education-Instruction	154,728	8,971	163,699	150,176	13,523
Basic Skills/Remedial - Instruction:					
Salaries of Teachers	27,666		27,666	27,666	-
Other Purchased Services	700		700		700
Total Basic Skills/Remedial - Instruction:	28,366	-	28,366	27,666	700
School-Sponsored Co/Extra-Curricular Activities - Instruction:					
Salaries	6,054	30	6,084	6,084	-
Other Objects	3,000		3,000	1,175	1,825
Total School-Sponsored Co/Extra-Curricular Activities - Instruction	9,054	30	9,084	7,259	1,825
Total Instruction	931,320	(386)	930,934	903,513	27,421
Undistributed Expenditures - Instruction:					
Tuition to Private Schools for the Handicapped - Within State		4,167	4,167	2,101	2,066
Undistributed Expenditures - Attendance & Social Work:					
Salaries	21,399	100	21,499	21,499	-
Undistributed Expenditures - Health Services:					
Salaries	17,663		17,663	11,532	6,131
Purchased Professional & Technical Services	500	(81)	419		419
Supplies and Materials	600		600	588	12
Total Undistributed Expenditures - Health Services	18,763	(81)	18,682	12,120	6,562

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 4 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures-Other Support Svcs.-Students-Related Svcs.:					
Salaries	47,008	(40,568)	6,440	6,440	-
Purchased Professional/Educational Services	24,265	69,687	93,952	93,054	898
Total Undistributed Expenditures - Other Support Services - Students - Related Services	71,273	29,119	100,392	99,494	898
Undistributed Expenditures - Other Support Services - Students - Extra Services:					
Supplies and Materials	5,000	(3,827)	1,173	1,173	-
Total Undistributed Expenditures - Other Support Services - Students - Extra Services	5,000	(3,827)	1,173	1,173	-
Undistributed Expenditures - Other Support Services - Child Study Team:					
Salaries of Secretarial & Clerical Assistants	5,577	(3,605)	1,972	1,972	-
Purchased Professional/Educational Services	30,000		30,000	30,000	-
Total Undistributed Expenditures - Other Support Services - Child Study Team	35,577	(3,605)	31,972	31,972	-
Undistributed Expenditures - Educational Media Services/ School Library:					
Other Purchased Services	4,500		4,500	4,500	-
Supplies and Materials	500		500		500
	5,000		5,000	4,500	500

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 5 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Instructional Staff Training Services:					
Purchased Professional/Educational Services	5,500	(4)	5,496	3,765	1,731
Undistributed Expenditures - Support Services - General Administration:					
Salaries	87,550		87,550	87,550	-
Legal Services	10,720	3	10,723	9,062	1,661
Audit Fee	6,000		6,000	6,000	-
Communications/Telephone	500	(104)	396	396	-
Miscellaneous Expense	3,250	104	3,354	3,354	-
In-House Training/Meeting Supplies	150	(100)	50	50	-
Membership Dues and Fees	4,100	101	4,201	4,201	-
Total Undistributed Expenditures - Support Services - General Administration	112,270	4	112,274	110,613	1,661
Undistributed Expenditures - Support Services School Administration:					
Supplies and Materials	250		250	228	22
Total Undistributed Expenditures - Support Services School Administration	250	-	250	228	22
Undistributed Expenditures - Central Services:					
Salaries	79,443		79,443	79,443	-
Supplies and Materials	350		350	347	3
Total Undistributed Expenditures - Central Services	79,793	-	79,793	79,790	3

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 6 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Administration Info. Technology:					
Purchased Technical Services	400		400	271	129
Total Undistributed Expenditures - Administration Info. Technology	400	-	400	271	129
Interest Earned on Maintenance Reserve	50		50		50
Undistributed Expenditures - Required Maintenance for School Facilities:					
Cleaning, Repairs and Maintenance Services	30,000	2,863	32,863	32,863	-
Total Undistributed Expenditures - Required Maintenance for School Facilities	30,000	2,863	32,863	32,863	-
Undistributed Expenditures - Other Operations and Maintenance of Plant:					
Salaries	5,000	(1,102)	3,898	2,254	1,644
Cleaning, Repair and Maintenance Services	97,000	2,540	99,540	99,540	-
Other Purchased Property Services	1,250	90	1,340	1,340	-
Insurance	29,000	149	29,149	28,877	272
General Supplies	3,500	2,099	5,599	5,599	-
Energy (Heat & Electricity)	42,500	(10,381)	32,119	32,118	1
Energy-Natural Gas	28,000	(11,169)	16,831	16,831	-
Total Undistributed Expenditures - Other Operations and Maintenance of Plant	206,250	(17,774)	188,476	186,559	1,917

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 7 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Undistributed Expenditures - Care and Upkeep of Grounds:					
Salaries	1,500	591	2,091	1,138	953
Undistributed Expenditures - Security					
Salaries	22,066	(1,549)	20,517	20,517	-
Total Undistributed Expenditures Other Operations and Maintenance of Plant	259,816	(15,869)	243,947	241,077	2,870
Undistributed Expenditures - Student Transportation Services:					
Salaries for Pupil Transportation (Between Home and School) Special Education	9,081	45	9,126	9,126	-
Contracted Services (Between Home and School) Vendors	2,500	(1,560)	940	940	-
Contracted Services (Between Home and School) Joint Agreement			-		-
Contracted Services - (Regular Students)-ESC's & CTSA's	12,000		12,000	12,000	-
Contracted Services - Special Education ESC's & CTSA's	3,200	5,855	9,055	8,394	661
Contracted Services Aid in Lieu of Payments Non-Public School	1,588	(1,588)	-		-
Total Undistributed Expenditures - Student Trans. Svcs.	28,369	2,752	31,121	30,460	661
Regular Programs - Instruction - Employee Benefits:					
Social Security Contributions	5,500	(5,500)	-		-
Total Regular Programs - Instruction - Employee Benefits	5,500	(5,500)	-	-	-

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 8 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Other Instructional Programs - Instruction - Employee Benefits:					
Social Security Contributions	500	(500)	-		-
Total Other Instructional Programs - Instruction - Employee Benefits	500	(500)	-	-	-
Attendance and Social Work Services - Employee Benefits:					
Social Security Contributions	1,637	(1,637)	-		-
Total Attendance and Social Work Services - Employee Benefits	1,637	(1,637)	-	-	-
Other Support Services - Students - Special - Employee Benefits:					
Social Security Contributions	950	(950)	-		-
Total Other Support Services - Students - Special - Employee Benefits	950	(950)	-	-	-
Support Services - Central Services - Employee Benefits:					
Social Security Contributions	3,815		3,815		3,815
Student Transportation Services - Employee Benefits:					
Social Security Contributions	1,950	(1,950)	-		-
Total Student Transportation Services - Employee Benefits	1,950	(1,950)	-	-	-
Operation and Maintenance of Plant Services - Employee Benefits:					
Social Security Contributions	500	3,194	3,694		3,694
Total Operation and Maintenance of Plant Services - Employee Benefits	500	3,194	3,694	-	3,694
Total Allocated Benefits	14,852	(7,343)	7,509	17,137	909

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 9 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Unallocated Benefits-Employee Benefits					
Other Retirement Contributions-PERS	23,210	(1,148)	22,062	22,062	-
Health Benefits	218,470	(11,718)	206,752	203,890	2,862
Total Unallocated Benefits - Employee Benefits	241,680	(12,866)	228,814	225,952	2,862
Total Personal Services-Employee Benefits	256,532	(20,209)	236,323	243,089	3,771
On-Behalf TPAF Pension Contribution - Non-Budgeted			-	94,730	(94,730)
Reimbursed TPAF Social Security Contributions - Non-Budgeted	-	-	-	67,175	(67,175)
				161,905	(161,905)
Total Undistributed Expenditures	899,992	(7,453)	892,539	1,044,057	20,924
Total Current Expense	1,831,312	(7,839)	1,823,473	1,947,570	48,345
Capital Outlay:					
Interest to Capital Reserve	50		50		50
Facilities Acquisition and Construction Services:					
Other Objects	1,932		1,932	1,932	-
Total Capital Outlay	1,982	-	1,982	1,932	50
Education Jobs		6,294	6,294	6,294	
Total Expenditures	1,833,294	(1,545)	1,831,749	1,955,796	48,395

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit C-1
Sheet 10 of 10

GENERAL FUND - BUDGETARY COMPARISON SCHEDULE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	Original Budget	Budget Transfers	Final Budget	Actual	Variance Final to Actual
Excess (Deficiency) of Revenues Over/(Under) Expenditures	(71,103)	1,545	(69,558)	24,376	260,082
Fund Balance July 1	203,617		203,617	203,617	
Fund Balance June 30	\$ 132,514	1,545	134,059	227,993	260,082
Recapitulation:					
Restricted fund Balance				\$ 22,393	
Maintenance Reserve				33,490	
Capital Reserve					
Assigned fund Balance					
Designated for Subsequent Years Expenditures				73,000	
Year-End Encumbrances				1,661	
Unassigned Fund Balance				97,449	
				227,993	
Reconciliation to Governmental Funds Statements (GAAP):					
Final State Aid Payments not Recognized on GAAP Basis				12,303	
Fund Balance Per Governmental Funds (GAAP)				\$ 240,296	

ISLAND HEIGHTS SCHOOL DISTRICTBUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Exhibit C-1b

EDUCATION JOBS FUNDFEDERAL AID

	<u>Adjusted Budget</u>	<u>Expended</u>	<u>Funds Available</u>
Salaries - Resource Room: 18-000-216-206	<u>\$ 6,294</u>	<u>6,294</u>	<u></u>
Total Education Jobs	<u><u>\$ 6,294</u></u>	<u><u>6,294</u></u>	<u><u>-</u></u>

ISLAND HEIGHTS SCHOOL DISTRICTBUDGETARY COMPARISON SCHEDULESPECIAL REVENUE FUNDFOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Final to Actual</u>
Revenues:					
Federal Sources	39,895	(127)	39,768	39,768	
Total Revenues	<u>\$ 39,895</u>	<u>(127)</u>	<u>39,768</u>	<u>39,768</u>	<u>-</u>
Expenditures:					
Instruction:					
Tuition	\$ 32,529	(313)	32,216	32,216	
Total Instruction	<u>32,529</u>	<u>(313)</u>	<u>32,216</u>	<u>32,216</u>	<u>-</u>
Support Services:					
Purchased Professional & Technical Services	7,366	186	7,552	7,552	
Total Support Services	<u>7,366</u>	<u>186</u>	<u>7,552</u>	<u>7,552</u>	<u>-</u>
Total Expenditures	<u>\$ 39,895</u>	<u>(127)</u>	<u>39,768</u>	<u>39,768</u>	<u>-</u>

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

ISLAND HEIGHTS SCHOOL DISTRICT**REQUIRED SUPPLEMENTARY INFORMATION**

Exhibit C-3

BUDGET-TO-GAAP RECONCILIATION**NOTE TO RSI****FOR THE FISCAL YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Special Revenue Fund</u>
<u>Sources/Inflows of Resources</u>		
Actual amounts (budgetary basis) "revenue" from the budgetary comparison schedule	\$ 1,980,172	39,768
Difference - Budget to GAAP: Grant accounting budgetary basis differs from GAAP in the encumbrances are recognized as expenditures and the related revenue is recognized.		
State aid payment prior year	8,208	
The last state aid payment is recognized as revenue for budgetary purposes and differs from GAAP which does not recognize this revenue until the subsequent year when the state recognizes the related expense (GASB 33)	<u>(12,303)</u>	
Total revenue as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 1,976,077</u>	<u>39,768</u>
<u>Uses/Outflows of Resources</u>		
Actual amounts (budgetary basis) "total outflows" from the budgetary comparison schedule	\$ 1,955,796	39,768
Differences - Budget to GAAP: Encumbrances for supplies and equipment ordered but not yet received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,955,796</u>	<u>39,768</u>

OTHER SUPPLEMENTARY INFORMATION

SCHOOL LEVEL SCHEDULES – D

N/A

SPECIAL REVENUE FUND – E

ISLAND HEIGHTS SCHOOL DISTRICT

SPECIAL REVENUE FUND

Exhibit E-1

COMBINING SCHEDULE OF PROGRAM REVENUES AND EXPENDITURES

BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>I.D.E.A. Basic</u>	<u>Title IIA</u>	<u>I.D.E.A. Preschool</u>	<u>Totals</u>
Revenues:				
Federal Sources	<u>\$ 32,216</u>	<u>6,916</u>	<u>636</u>	<u>39,768</u>
Total Revenues	<u><u>\$ 32,216</u></u>	<u><u>6,916</u></u>	<u><u>636</u></u>	<u><u>39,768</u></u>
Expenditures:				
Instruction:				
Tuition	<u>\$ 32,216</u>	<u></u>	<u></u>	<u>32,216</u>
Total Instruction	<u>32,216</u>	<u>-</u>	<u>-</u>	<u>32,216</u>
Support Services:				
Purchased Professional & Technical Services	<u></u>	<u>6,916</u>	<u>636</u>	<u>7,552</u>
Total Support Services	<u>-</u>	<u>6,916</u>	<u>636</u>	<u>7,552</u>
Total Expenditures	<u><u>\$ 32,216</u></u>	<u><u>6,916</u></u>	<u><u>636</u></u>	<u><u>39,768</u></u>

CAPITAL PROJECTS FUND – F

N/A

PROPRIETARY FUNDS – G

N/A

FIDUCIARY FUND – H

ISLAND HEIGHTS SCHOOL DISTRICT**TRUST AND AGENCY FUND**

Exhibit H-1

COMBINING STATEMENT OF FIDUCIARY NET ASSETS**JUNE 30, 2012**

	<u>Student Activity</u>	<u>Payroll</u>	<u>Unemployment</u>	<u>Total 2012</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 1,879	6,184	52,665	60,728
<u>Liabilities</u>				
Payroll Deductions and Withholding	\$ -	6,184		6,184
Due to Student Groups	1,879			1,879
Total Liabilities	\$ 1,879	6,184	-	8,063
<u>Net Assets</u>				
Reserve for Unemployment			52,665	52,665

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit H-2

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**JUNE 30, 2012**

	Unemployment Compensation Trust	Total
Operating Income:		
Interest	\$ 41	41
Total Operating Income	41	41
Deductions:		
Unemployment Claims	6,426	6,426
Total Deductions	6,426	6,426
Net Assets, June 30, 2011	59,050	59,050
Net Assets, June 30, 2012	\$ 52,665	52,665

ISLAND HEIGHTS SCHOOL DISTRICT**STUDENT ACTIVITY AGENCY FUND****Exhibit H-3****SCHEDULE OF RECEIPTS AND DISBURSEMENTS****JUNE 30, 2012**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Cash</u> <u>Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Elementary School</u>				
6th Grade	\$ 1,166	6,282	6,684	764
Parent/Yearbook	109	2,013	1,609	513
Gabriel Donation	116			116
Band		391	155	236
Leadership	250			250
	<u>250</u>	<u></u>	<u></u>	<u>250</u>
Totals	<u>\$ 1,641</u>	<u>8,686</u>	<u>8,448</u>	<u>1,879</u>

ISLAND HEIGHTS SCHOOL DISTRICT**PAYROLL AGENCY FUND**

Exhibit H-4

SCHEDULE OF RECEIPTS AND DISBURSEMENTS**JUNE 30, 2012**

	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 14,207	654,875	662,898	6,184
<u>Liabilities</u>				
Payroll Deductions, Withholdings and Amount Due Employees	\$ 14,207	654,875	662,898	6,184

LONG-TERM DEBT – I

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit I-1

GENERAL LONG-TERM DEBT ACCOUNT GROUP

SCHEDULE OF SERIAL BONDS

JUNE 30, 2012

<u>Issue</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Annual Maturities</u>		<u>Interest Rate</u>	<u>Balance July 1, 2011</u>	<u>Retired</u>	<u>Balance June 30, 2012</u>
			<u>Date</u>	<u>Amount</u>				
School Addition	5/1/03	\$ 1,093,000	11/1/12	\$ 60,000	3.625%	\$ 713,000	60,000	653,000
			11/1/13	60,000	3.750%			
			11/1/14-15	60,000	3.875%			
			11/1/16-19	60,000	4.000%			
			11/1/20	60,000	4.100%			
			11/1/21	60,000	4.150%			
			11/1/22	53,000	4.260%			
						\$ 713,000	60,000	653,000

ISLAND HEIGHTS SCHOOL DISTRICT

Exhibit I-3

BUDGETARY COMPARISON SCHEDULE

DEBT SERVICE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

	<u>Original Budget</u>	<u>Budget Transfers</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative) Final to Actual</u>
Revenues:					
Local Sources:					
Local Tax Levy	\$ 86,910		86,910	86,910	
Miscellaneous				1	1
Total Revenues	<u>86,910</u>	<u>-</u>	<u>86,910</u>	<u>86,911</u>	<u>1</u>
Expenditures:					
Regular Debt Service:					
Interest	26,928		26,928	26,928	-
Redemption of Principal	60,000		60,000	60,000	-
Total Expenditures	<u>86,928</u>	<u>-</u>	<u>86,928</u>	<u>86,928</u>	<u>-</u>
Excess (Deficiency) of Revenues Over/(Under)	(18)	-	(18)	(17)	1
Expenditures					
Fund Balance July 1	18	-	18	18	-
Fund Balance June 30	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>

STATISTICAL SECTION

(Unaudited)

EXHIBIT J-1

ISLAND HEIGHTS SCHOOL DISTRICT
NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in Capital Assets, Net of										
Related Debt	\$ 2,152,967	2,149,736	2,130,357	2,095,852	2,067,583	684,352	664,594	1,470,530	134,433	1,956,348
Restricted	130,545	123,489	234,475	295,888	310,909	227,132	165,533	285,194	919,047	84,538
Unrestricted	6,698	(35,944)	(97,721)	87,501	106,262	104,268	180,461	(66,172)	91,747	2,899,002
Total Governmental Activities										
Net Assets	\$ 2,290,210	2,237,281	2,267,111	2,479,241	2,484,754	1,015,752	1,010,588	1,689,552	1,145,227	4,939,888
Business-Type Activities										
Invested in Capital Assets, Net of										
Related Debt	\$ -	-	-	-	-	-	-	-	1,284	-
Restricted	1,489	6,627	4,784	1,709	1,095	743	2,252	2,661	1,776	3,287
Unrestricted										
Total Business-Type Activities										
Net Assets	\$ 1,489	6,627	4,784	1,709	1,095	743	2,252	2,661	3,060	3,287
District-Wide										
Invested in Capital Assets, Net of										
Related Debt	\$ 2,152,967	2,149,736	2,130,357	2,095,852	2,067,583	684,352	664,594	1,470,530	135,717	1,956,348
Restricted	130,545	123,489	234,475	295,888	310,909	227,132	165,533	285,194	919,047	84,538
Unrestricted	8,187	(29,317)	(92,937)	89,210	107,357	105,011	182,713	(63,511)	93,523	2,902,289
Total District Net Assets	\$ 2,291,699	2,243,908	2,271,895	2,480,950	2,485,849	1,016,495	1,012,840	1,692,213	1,148,287	4,943,175

**ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN NET ASSETS - (ACCRUAL BASIS OF ACCOUNTING)
LAST EIGHT FISCAL YEARS
FISCAL YEAR ENDING JUNE 30,**

	2012	2011	2010	2009	2008	2007	2006	2005
Expenses								
Governmental Activities								
Instruction:								
Regular	\$ 688,653	664,174	868,969	980,988	783,130	800,143	709,879	753,862
Special Education	189,944	211,969	65,586	20,681	16,820	53,681	43,015	25,258
Other Instruction	34,925	35,241	89,724	91,947	48,411	35,960	25,882	72,306
Support Services:								
Tuition	2,101	2,533	12,325	3,450		517	8,792	10,864
Student & Instruction Related Services	174,523	162,802	175,528	172,069	99,846	161,767	131,240	145,560
School Administrative Services	190,902	204,371	225,053	196,057	189,044	162,871	154,806	157,065
Plant Operations & Maintenance	241,077	259,225	296,306	351,115	244,679	282,765	240,156	272,486
Pupil Transportation	30,460	34,192	53,261	32,500	20,357	28,668	24,119	26,896
Miscellaneous	1,932						-	82
Interest on Long-Term Debt	27,253	28,628	30,542	33,493	34,110	36,253	37,753	32,954
Allocated Benefits	411,288	383,437	381,017	126,808	426,859	434,597	362,796	290,500
Unallocated Depreciation	56,769	56,769	56,600	54,951	54,818	56,943	56,941	-
Total Governmental Activities Expenses	2,049,827	2,043,341	2,254,911	2,064,059	1,937,947	2,054,165	1,795,379	1,787,833
Business-Type Activities:								
Food Service	12,431	13,404	17,177	16,351	46,463	40,634	33,152	28,994
Total Business-Type Activities Expense	12,431	13,404	17,177	16,351	46,463	40,634	33,152	28,994
Total District Expenses	\$ 2,062,258	2,056,745	2,272,088	2,080,410	1,984,410	2,094,799	1,828,531	1,816,827
Program Revenues								
Governmental Activities:								
Operating Grants & Contributions	\$ 46,062	41,392	61,847	40,471	437,988	380,488	311,379	284,487
Capital Grants & Contributions							-	-
Total Governmental Activities Program Revenues	46,062	41,392	61,847	40,471	437,988	380,488	311,379	284,487
Business-Type Activities:								
Charges for Services:								
Food Service	10,217	10,701	12,905	10,596	14,783	15,299	13,663	12,040
Operating Grants & Contributions	3,576	4,546	4,410	4,369	5,180	6,000	3,782	16,954
Total Business Type Activities Program Revenues	13,793	15,247	17,315	14,965	19,963	21,299	17,445	28,994
Total District Program Revenues	\$ 59,855	56,639	79,162	55,436	457,951	401,787	328,824	313,481
Net (Expense)/Revenue								
Adjustment Beginning Net Fixed Assets			-	-	-	16,389	(811,555)	
Governmental Activities	\$ (2,003,765)	(2,001,949)	(2,193,064)	(2,023,588)		(1,795,379)	(1,484,000)	(1,503,346)
Business-Type Activities	1,362	1,843	138	(1,386)	(46,463)	(15,707)	(15,707)	-
Total District-Wide Net Expense	\$ (2,002,403)	(2,000,106)	(2,192,926)	(2,024,974)	(2,037,430)	(1,796,061)	(2,311,262)	(1,503,346)
General Revenues & Other Changes in Net Assets								
Governmental Activities:								
Property Taxes Levied for General Purposes, Net	\$ 1,631,883	1,599,885	1,594,705	1,582,199	1,521,345	1,519,823	1,491,787	1,487,847
Taxes Levied for Debt Service	86,910	88,949	90,901	92,772	94,110	76,097	88,165	59,499
Federal and State Aid Not Restricted	284,353	232,317	249,993	298,368			-	-
Miscellaneous Income	53,548	50,968	17,527	22,838	57,092	39,088	52,840	45,222
Transfers			(2,937)	(2,000)	(27,204)	(17,826)	(16,201)	(21,388)
Total Governmental Activities	2,056,694	1,972,119	1,950,189	1,994,177	1,645,343	1,617,182	1,616,591	1,571,180
Business-type Activities:								
Adjustment Beginning Fixed Assets							(903)	-
Transfers	\$ (6,500)		2,937	2,000	27,204	17,826	16,201	13,259
Total Business-Type Activities	(6,500)	-	2,937	2,000	27,204	17,826	15,298	13,259
Total District-Wide	\$ 2,050,194	1,972,119	1,953,126	1,996,177	2,062,504	1,635,648	1,631,889	1,584,439
Change in Net Assets								
Governmental Activities	\$ 52,929	(29,830)	(242,875)	(29,411)	92,364	(11,225)	132,591	67,834
Business-Type Activities	(5,138)	1,843	3,075	614	352	(1,509)	(409)	13,259
Total District	\$ 47,791	(27,987)	(239,800)	(28,797)	92,716	(12,734)	132,182	81,093

EXHIBIT J-3

ISLAND HEIGHTS SCHOOL DISTRICT
FUND BALANCES AND GOVERNMENTAL FUNDS
LAST NINE FISCAL YEARS
(Modified Accrual Basis of Accounting)

	FISCAL YEAR ENDING JUNE 30,								
	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund									
Reserved	\$ 130,544	123,471	234,457	295,882	223,040	226,552	384,833	281,602	219,437
Unreserved	85,146	80,146	49,605	234,669	339,766	235,654	92,749	91,492	91,747
Total General Fund	\$ 215,690	203,617	284,062	530,551	562,806	462,206	477,582	373,094	311,184
All Other Governmental Funds									
Reserved	\$ -	-	-	-	1,095	580	20,464	-	689,468
Unreserved, Reported in:									
Special Revenue Fund				-	(386)	(386)	(356)	(5)	-
Capital Projects Fund							-	11,918	-
Debt Service Fund	1	18	18	6	45	21	285	187	10,142
Permanent Fund							-	-	-
Total All Other Governmental Funds	\$ 1	18	18	6	754	215	20,393	12,100	699,610

ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST NINE FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues									
Tax Levy	\$ 1,718,793	1,688,834	1,685,606	1,674,971	1,521,345	1,595,920	1,579,952	1,547,346	1,509,631
Miscellaneous	53,548	52,235	18,308	22,838	57,092	40,088	52,840	63,238	4,347
State Sources	284,353	232,317	249,993	298,368	389,957	388,213	321,758	295,108	292,702
Federal Sources	46,062	40,125	61,066	40,471	0	36,545	42,568	37,866	47,916
Total Revenue	2,102,756	2,013,511	2,014,973	2,036,648	1,582,337	2,060,766	1,997,118	1,943,558	1,854,596
Expenditures									
Instruction:									
Regular Instruction	718,412	716,118	868,811	970,536	783,130	821,103	724,070	733,246	683,473
Special Education Instruction	189,944	211,969	65,586	20,681	16,820	53,681	43,015	73,812	31,480
Other Special Instruction	27,666	27,630	62,592	60,580	48,411	35,960	52,034	72,306	63,077
Other Instruction	7,259	7,611	27,132	31,367	19,873				
Support Services:									
Tuition	2,101	2,533	12,325	3,450		517	8,792	10,864	38,514
Student & Instruction Related Services	174,523	162,802	175,528	172,069	99,846	161,767	157,644	163,509	134,243
School Administrative Services	190,902	204,371	225,053	196,057	189,044	162,871	154,806	157,065	190,977
Plant Operations & Maintenance	241,077	259,225	296,306	351,115	244,679	282,765	240,156	272,486	200,747
Pupil Transportation	30,460	34,192	53,261	32,500	20,357	28,668	24,119	26,896	24,740
Other Support Services	6,294							82	61,826
Unallocated benefits	404,994	383,437	381,017	126,808	426,859	434,597	362,796	290,500	272,621
Capital outlay	1,932	3,323					12,065	677,550	
Debt service:									
Principal	60,000	60,000	60,000	60,000	60,000	60,000	50,000	30,000	60,000
Interest & Other Charges	26,928	28,953	30,902	32,815	34,110	36,565	38,253	39,454	41,104
Total Expenditures	2,082,492	2,102,164	2,258,513	2,057,978	1,943,129	2,078,494	1,867,750	2,547,770	1,802,802

ISLAND HEIGHTS SCHOOL DISTRICT
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS,
LAST NINE FISCAL YEARS
(Modified Accrual Basis of Accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Excess (Deficiency) of Revenues Over/(Under) Expenditures	20,264	(88,653)	(243,540)	(21,330)	119,920	(17,728)	129,368	(604,212)	51,794
Other Financing Sources/(Uses):									
Proceeds from Borrowing									
Proceeds from Refunding									
Payments to Escrow Agent									
Transfers in									
Transfers Out			(2,937)	(2,000)	(27,204)	(17,826)	(16,592)	(21,388)	(6,971)
Total Other Financing Sources/(Uses)	-	-	(2,937)	(2,000)	(27,204)	(17,826)	(16,592)	(21,388)	(6,971)
Net Change in Fund Balances	\$ 20,264	(88,653)	(246,477)	(23,330)	92,716	(35,554)	112,776	(625,600)	44,823
Debt Service as a Percentage of Noncapital Expenditures	4.2%	4.4%	4.8%	4.6%	5.0%	4.0%	%		

Source: District records

Note: Noncapital expenditures are total expenditures less capital outlay.

EXHIBIT J-5

ISLAND HEIGHTS SCHOOL DISTRICT
GENERAL FUND - OTHER LOCAL REVENUE BY SOURCE
LAST NINE FISCAL YEARS
(Modified Accrual Basis of Accounting)

FISCAL YEAR ENDING JUNE 30,	INTEREST ON	SALE OF EQUIPMENT	DONATIONS	RENTALS	PRIOR YEAR REFUNDS	SALE & LEASEBACK OF TEXTBOOKS	MISCELLANEOUS	TOTAL
2004							4,347	4,347
2005							63,238	63,238
2006							52,840	52,840
2007			1,000				13,527	38,371
2008	23,844						34,331	46,938
2009	12,608						18,291	21,069
2010	2,778						18,308	18,308
2011	729						6,555	7,284
2012							26,263	26,263
Total	\$ 39,959	-	1,000	-	-	-	237,700	278,658

Source: District records

ISLAND HEIGHTS SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY,
LAST TEN FISCAL YEARS

FISCAL YEAR ENDED JUNE 30,	VACANT LAND	RESIDENTIAL	FARM REG.	QFARM	COMMERCIAL	INDUSTRIAL	APARTMENT	TOTAL ASSESSED VALUE	LESS: TAX EXEMPT PROPERTY	PUBLIC UTILITIES	NET VALUATION TAXABLE	TOTAL DIRECT SCHOOL TAX RATE	ESTIMATED ACTUAL (COUNTY EQUALIZED) VALUE
2012	12,913,000	314,965,700			21,616,800		489,300	349,984,800	22,674,700		372,659,500	0.504	
2011	13,983,900	314,685,500			23,043,100		489,300	352,201,800	22,460,600		374,662,400	0.488	
2010	13,762,500	315,343,500			23,101,200		489,300	352,696,500	22,460,600		375,157,100	0.479	
2009	14,791,600	313,526,200			23,101,200		489,300	351,908,300	22,460,600		374,368,900	0.479	
2008	15,209,600	310,714,800			22,721,800		489,300	349,135,500	24,740,600		373,876,100	0.479	
2007	14,163,100	309,770,900			22,721,800		489,300	347,145,100	25,339,700		372,484,800	0.466	
2006	14,113,600	304,746,000			22,721,800		489,300	342,070,700	25,339,700		367,410,400	0.466	
2005	10,949,600	308,750,600			22,642,200		489,300	342,831,700	27,718,300		370,550,000	0.461	
2004	2,671,300	115,922,900			10,319,400		193,200	129,106,800	10,139,900		139,246,700	1.197	
2003	3,298,700	112,977,800			10,318,400		193,200	126,788,100	9,931,200		136,719,300	1.188	

Real property is required to be assessed at some percentage of true value (fair or market value) established by each county board of taxation.

Reassessment occurs when ordered by the County Board of Taxation

a. Taxable Value of Machinery, Implements and Equipment of Telephone, Telegraph and Messenger System Companies

b. Tax rates are per \$100

ISLAND HEIGHTS SCHOOL DISTRICT
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(Rate per \$100 of Assessed Value)

FISCAL YEAR ENDED JUNE 30,	SCHOOL DISTRICT DIRECT RATE			OVERLAPPING RATES					TOTAL DIRECT AND OVERLAPPING TAX RATE	
	ISLAND HEIGHTS SCHOOL	REGIONAL SCHOOL	TOTAL DIRECT	ISLAND HEIGHTS BOROUGH	OCEAN COUNTY	COUNTY LIBRARY	COUNTY OPEN SPACE	COUNTY HEALTH RATE		
2012	0.504	0.362	0.866	0.449	0.337	0.039	0.013	0.014	1.718	
2011	0.488	0.349	0.837	0.439	0.335	0.039	0.015	0.015	1.680	
2010	0.479	0.301	0.780	0.445	0.340	0.039	0.015	0.015	1.634	
2009	0.479	0.302	0.781	0.424	0.322	0.038	0.015	0.015	1.595	
2008	0.479	0.259	0.738	0.409	0.306	0.036	0.015	0.015	1.519	
2007	0.466	0.313	0.779	0.332	0.278	0.03	0.012	0.013	1.444	
2006	0.466	0.265	0.731	0.330	0.330	0.025	0.012	0.015	1.443	
2005	0.461	0.296	0.757	0.321	0.238	0.025	0.009	0.011	1.361	
2004	1.197	0.755	1.952	0.799	0.624	0.068	0.021	0.028	3.492	
2003	1.188	0.731	1.919	0.787	0.614	0.065	0.018	0.027	3.430	

Source: Abstract of Ratables, Breakdown of General Tax Rate

**ISLAND HEIGHTS SCHOOL DISTRICT
PRINCIPAL PROPERTY TAX PAYERS
Last Years Information**

Exhibit J-8

Taxpayer	2011		% OF TOTAL DISTRICT NET ASSESSED VALUE
	TAXABLE ASSESSED VALUE	RANK (Optional)	
FLM Marine	\$4,850,000	1	1.39%
Tavares, Linda	\$2,307,800	2	0.80%
Nelson Properties	2,235,000	3	0.69%
Conza Builders	2,222,600	4	0.66%
Martin, Geraldine	2,189,400	5	0.54%
Kelly Jr. Henry J.	2,143,300	6	0.52%
Balcor Builders	1,943,500	7	0.50%
Alice Percy & Eve Allison	1,888,400	8	0.49%
Candor Inc.	1,821,800	9	0.48%
Hatami, N. Victor & Judith	1,716,500	10	0.48%
Total	<u>\$23,318,300</u>		<u>6.55%</u>

Source: Municipal Tax Assessor

This schedule serves a dual purpose of providing basic information about a jurisdiction's most significant revenue payers and highlighting the degree to which a government is dependent on a

EXHIBIT J-9

**ISLAND HEIGHTS SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

FISCAL YEAR ENDED JUNE 30,	TAXES LEVIED FOR THE FISCAL YEAR	COLLECTED WITHIN THE FISCAL YEAR OF THE LEVY		COLLECTIONS IN SUBSEQUENT YEARS
		AMOUNT	PERCENTAGE OF LEVY	
2011	6,016,573	5,658,129	93.70%	
2010	5,770,950	5,622,305	97.42%	
2009	5,637,164	5,487,795	97.35%	
2008	5,341,229	5,206,858	97.48%	
2007	5,099,419	5,004,656	98.14%	
2006	4,983,941	4,854,196	97.40%	
2005	4,703,656	4,560,145	96.95%	
2004	4,552,387	4,463,321	98.04%	
2003	4,399,962	4,320,063	98.18%	
2002	4,169,955	4,081,575	97.88%	

Source: District records including the Certificate and Report of School Taxes (A4F form)

ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(Dollars in Thousands, Except per Capita)

FISCAL YEAR ENDED JUNE 30,	GOVERNMENTAL ACTIVITIES			BOND ANTICIPATION NOTES (BANS)	BUSINESS- TYPE ACTIVITIES		TOTAL DISTRICT	PERCENTAGE OF PERSONAL INCOME	PER CAPITA
	GENERAL OBLIGATION BONDS	CERTIFICATES OF PARTICIPATION	CAPITAL LEASES		CAPITAL LEASES				
2012	\$	653,000				653,000	N/A	N/A	N/A
2011	\$	713,000				713,000	N/A	N/A	N/A
2010	\$	773,000				773,000	5%		40,291
2009	\$	833,000				833,000	5%		39,677
2008	\$	893,000				893,000	5%		40,201
2007	\$	953,000				953,000	4%		38,816
2006	\$	1,013,000				1,013,000	4%		36,742
2005	\$	1,063,000				1,063,000	3%		34,463
2004	\$	1,093,000				1,093,000	3%		33,537
2003	\$	60,000				60,000	55%		33,009

EXHIBIT J-11

ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(Dollars in Thousands, Except per Capita)

FISCAL YEAR ENDED JUNE 30,	<u>GENERAL BONDED DEBT OUTSTANDING</u>		PERCENTAGE OF ACTUAL TAXABLE VALUE OF PROPERTY	PER CAPITA
	GENERAL OBLIGATION BONDS	NET GENERAL BONDED DEBT OUTSTANDING		
2012	653,000	653,000	N/A	N/A
2011	713,000	713,000	N/A	N/A
2010	773,000	773,000	N/A	N/A
2009	833,000	833,000	N/A	39,677
2008	893,000	893,000	N/A	40,201
2007	953,000	953,000	N/A	38,816
2006	1,013,000	1,013,000	N/A	36,742
2005	1,063,000	1,063,000	N/A	34,463
2004	1,093,000	1,093,000	N/A	33,537
2003	60,000	60,000	N/A	33,009

EXHIBIT J-12

**ISLAND HEIGHTS SCHOOL DISTRICT
RATIOS OF OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2012**

GOVERNMENTAL UNIT	ESTIMATED PERCENTAGE APPLICABLE	SHARE OF OVERLAPPING DEBT
Overlapping debt		
Island Heights		\$ 2,680,619
Ocean County Utilities Authority		584,285
County of Ocean		1,734,245
Subtotal, Overlapping Debt		4,999,149
Island Heights District Direct Debt		<u>653,000</u>
Total Direct & Overlapping Debt		<u><u>\$ 5,652,149</u></u>

Sources: Assessed value data used to estimate applicable percentages provided by the Ocean County Board of Taxation.

**ISLAND HEIGHTS SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
LAST EIGHT FISCAL YEARS
(Dollars in tThousands)**

Exhibit J-13

	FISCAL YEAR						
	2011	2010	2009	2008	2007	2006	2005
Debt Limit	10,439,719	10,836,082	13,983,491	13,857,802	13,760,633	10,853,456	7,983,021
Total Net Debt Applicable to Limit	713,000	773,000	833,000	893,000	953,000	1,013,000	1,063,000
Legal Debt Margin	9,726,719	10,063,082	13,150,491	12,964,802	\$12,807,633	\$9,840,456	6,920,021

Total Net Debt Applicable to the Limit	6.83%	7.13%	5.96%	6.44%	6.93%	9.33%	13.32%	21.47%
as a Percentage of Debt Limit								

Legal Debt Margin Calculation for Fiscal Year 2012

	Equalized Valuation Basis			
Average Equalized Valuation of Taxable Property		2011	\$392,819,317	
		2010	\$418,184,136	
		2009	\$441,762,867	
			<u>\$1,252,766,320</u>	
Debt Limit (2.5 % of Average Equalization Value) Net Bonded School Debt		[A/3]	\$417,588,773	
		[B]	10,439,719	
		[C]	<u>713,000</u>	
Legal Debt Margin		[B-C]	<u>\$9,726,719</u>	

Source: Equalized valuation bases were obtained from the Annual Report of the State of New Jersey, Department of Treasury, Division of Taxation

EXHIBIT J-14

**ISLAND HEIGHTS SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

YEAR	POPULATION (a)	PERSONAL INCOME (Thousands of Dollars) (b)	PER CAPITA PERSONAL INCOME (c)	UNEMPLOYMENT RATE (d)
2011	1866	N/A		10.1%
2010	1984	\$40,291		10.0%
2009	1891	39,677		9.2%
2008	1877	40,201		5.7%
2007	1878	38,816		4.4%
2006	1877	36,742		5.0%
2005	1858	34,463		4.4%
2004	1846	33,537		4.9%
2003	1832	33,009		1.9%
2002	1805	32,547		1.9%

Source:^a Population information provided by the NJ Dept of Labor and Workforce Development^b Personal income provided by NJ Department of Labor and Workforce Development^c Per Capita provided by NJ Department of Labor and Workforce Development^d Unemployment data provided by the NJ Dept of Labor and Workforce Development

EXHIBIT J-15

**ISLAND HEIGHTS SCHOOL DISTRICT
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO**

	2012		2003	
	EMPLOYEES	PERCENTAGE OF TOTAL EMPLOYMENT	EMPLOYMENT	PERCENTAGE OF TOTAL EMPLOYMENT
	RANK (Optional)		RANK (Optional)	
N/A	1		1	
	2		2	
	3		4	
D	4		3	
E	5			
F	6		6	
G	7			
H	8		7	
I	9			
J	10		5	
K			8	
L			9	
M			10	

Source:

**ISLAND HEIGHTS SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEAR**

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Instruction:										
Regular	13	13	13	13	13	13	13			
Special Education	2.5	2	2	2	2	2	2			
Other Special Education	2	2	2							
Vocational										
Other Instruction										
Nonpublic School Programs										
Adult/Continuing Education Programs										
Support Services:										
Student & Instruction Related Services										
School Administrative Services	2	2	2	2	2	2	2			
General & Business Administrative Services	2	2	2	2	2	2	2			
Plant Operations & Maintenance			2	2	2	2	2			
Pupil Transportation	1	1	1	1	1	1	1			
Business & Other Support Services										
Special Schools										
Food Service	2	2	2	2	2	2	2			
Child Care										
Total	24.5	24	24	24	24	24	24			

Source: District Personnel Records

**ISLAND HEIGHTS SCHOOL DISTRICT
OPERATING STATISTICS
LAST EIGHT FISCAL YEARS**

Exhibit J-17

FISCAL YEAR	ENROLLMENT	OPERATING EXPENDITURES (a)	PUPIL CHANGE	PERCENTAGE STAFF (b)	TEACHING ELEMENTARY	PUPIL/TEACHER RATIO		AVERAGE DAILY ENROLLMENT (ADE) (c)	AVERAGE DAILY ATTENDANCE (ADA) (c)
2012	110							104.4	94.9
2011	123							121.3	115.3
2010	115							115	110
2009	109							108.8	103.4
2008	110							110.7	105.3
2007	114							110.9	105.9
2006	103			%				105	101
2005	102			%				103	98
2004	105			%				102	98

Sources: District records

**ISLAND HEIGHTS SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
LAST TEN FISCAL YEARS**

DISTRICT BUILDINGS	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Elementary Schools:										
Island Heights Grade School										
Square Feet	24,483	24,483	24,483	24,483	24,483	24,483	24,483	24,483	24,483	9,710
Capacity (Students)	160	160	160	160	160	160	160	160	160	140
Enrollment	111	123	119	109	110	114	103	102	105	113

Number of Schools at June 30, 2012:
Elementary = 1

Source: District Facilities Office

**ISLAND HEIGHTS SCHOOL DISTRICT
SCHEDULE OF REQUIRED MAINTENANCE
LAST SIX FISCAL YEARS**

Exhibit J-19

**UNDISTRIBUTED EXPENDITURES - REQUIRED
MAINTENANCE FOR SCHOOL FACILITIES
|-000-261-xxx**

*	2012	2011	2010	2009	2008	2007
	31,363	38,700	41,000	41,000	40,000	29,680

Total School
Facilities

* School facilities as defined under EFCFA.
(N.J.A.C. 6A:26-1.2 and N.J.A.C. 6A:26A-1.3)

Source: District records

EXHIBIT J-20

**ISLAND HEIGHTS SCHOOL DISTRICT
INSURANCE SCHEDULE
JUNE 30, 2012**

	COVERAGE	DEDUCTIBLE
School Package Policy (1):		
Building & Contents (All Locations)	\$5,621,032	1,000
Boiler & Machinery	100,000,000	1,000
General Automobile Liability	6,000,000	
School Board Legal Liability	6,000,000	5,000
Employers Liability	2,000,000	
Workers' Compensation		
Student Accident Insurance		
 Surety Bonds (3)		
Treasurer	135,000	
Business Administrator	125,000	
Board Secretary	125,000	

1. New Jersey School Boards Association Insurance

Source: District records

Robert A. Hulsart and Company

CERTIFIED PUBLIC ACCOUNTANTS

ARMOUR S. HULSART, C.P.A., R.M.A., P.S.A. (1959-1992)
ROBERT A. HULSART, C.P.A., R.M.A., P.S.A.
ROBERT A. HULSART, JR., C.P.A., P.S.A.

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS (NO MATERIAL
WEAKNESSES IDENTIFIED, NO SIGNIFICANT DEFICIENCIES IDENTIFIED,
NO REPORTABLE INSTANCES OF NONCOMPLIANCE OR
OTHER MATTERS IDENTIFIED

K-1

Honorable President and Members
of the Board of Education
Island Heights School District
County of Ocean
Island Heights, New Jersey

We have audited the general-purpose financial statements of the Board of Education of the Island Heights School District, in the County of Ocean, State of New Jersey, as of and for the fiscal year ended June 30, 2012, and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

Internal Control Over Financial Reporting

Management of the Island Heights Board of Education is responsible for establishing and maintaining effective internal control over financial reporting.

In planning and performing our audit, we considered the Island Heights Board of Education's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Island Heights Board of Education's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Island Heights Board of Education's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Island Heights Board of Education's general-purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of general-purpose financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.

This report is intended solely for the information and use of the audit committee, management, the Island Heights Board of Education, the New Jersey State Department of Education and other state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Robert A. Hulsart

Robert A. Hulsart
Licensed Public School Accountant
No. 322
Robert A. Hulsart and Company

November 14, 2012

ISLAND HEIGHTS SCHOOL DISTRICT

Schedule A

K-3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal C.F.D.A. Number	Grant or State Project Number	Program or Award Amount	Grant Period		Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Repayment of Prior Years Balances	Balance at June 30, 2012	
				From	To						(Accounts Receivable)	Deferred Revenue Due to Grantor
U.S. Department of Education												
General Fund:												
Education Jobs Fund	84.410A	N/A	\$ 6,294	8/10/2010	9/30/2012	-	6,294	(6,294)				
U.S. Department of Education												
Passed-Through State Department of Education												
Special Revenue Fund:												
No Child Left Behind:												
Title IIA	84.281	NCLB-11	7,596	9/1/10	8/31/11	(6,254)	6,254	(6,916)			(6,916)	
Title IIA	84.281	NCLB-11	6,916	9/1/11	8/31/12							
LD E.A.:												
Basic	84.027	FT-11	32,216	9/1/11	8/31/12		32,216	(32,216)			(636)	
Preschool	84.027	FT-11	636	9/1/11	8/31/12			(636)			(7,552)	
Total Special Revenue Fund						(6,254)	38,470	(39,768)	-	-	-	-
U.S. Department of Agriculture												
Passed-Through State Department of Education												
Enterprise Fund:												
National School Lunch Program	10.555	N/A	3,395	7/1/11	6/30/12		3,281	(3,395)			(114)	
National School Lunch Program	10.555	N/A	4,353	7/1/10	6/30/11	(851)	851					
Total Enterprise Fund						(851)	4,132	(3,395)	-	-	(114)	-
Total Federal Financial Awards						(7,105)	48,896	(49,457)	-	-	(7,666)	-

See accompanying Notes to Schedules of Financial Assistance.

ISLAND HEIGHTS SCHOOL DISTRICT

Schedule B

K-4

SCHEDULE OF EXPENDITURES STATE FINANCIAL ASSISTANCE

FOR THE FISCAL YEAR ENDED JUNE 30, 2012

State Grantor/ Program Title State Department of Education	Grant or State Project Number	Program or Award Amount	Grant Period		Balance June 30, 2011	Carryover (Walkover) Amount	Cash Received	Budgetary Expenditures	Adjustments	Balance at June 30, 2012		MEMO Budgetary Receivable	Total Cumulative Expenditures
			From	To						(Accounts Receivable)	Deferred Revenue		
General Fund:													
Transportation Aid	12-495-034-5120-014	\$ 10,847	7/1/11	6/30/12	\$		\$ 10,847	(10,847)				(1,068)	10,847
Special Education Aid	12-495-034-5120-089	60,142	7/1/11	6/30/12			60,142	(60,142)				(5,920)	60,142
Security Aid	12-495-034-5120-084	8,421	7/1/11	6/30/12			8,421	(8,421)				(829)	8,421
Adjustment Aid	12-495-034-5120-085	45,567	7/1/11	6/30/12			45,567	(45,567)				(4,486)	45,567
Non-Public Transportation	11-495-034-5120-014	1,392	7/1/10	6/30/11	(1,392)		1,392						
Non-Public Transportation	12-495-034-5120-014	1,566	7/1/11	6/30/12				(1,566)					1,566
On-Behalf TPAF Pension	12-100-034-5095-006	94,730	7/1/10	6/30/11			94,730	(94,730)					94,730
Reimbursed TPAF Social Security	12-100-034-5095-002	67,175	7/1/11	6/30/12	(3,520)		3,520	(67,175)					67,175
Reimbursed TPAF Social Security	11-100-034-5095-002	73,135	7/1/10	6/30/11	(4,912)			(288,448)		(1,566)		(12,303)	288,448
Total General Fund							291,794						
State Department of Agriculture													
Enterprise Fund:													
National School Lunch Program	12-100-010-3350-023	171	7/1/11	6/30/12			164	(171)		(7)			171
National School Lunch Program	11-100-010-3350-023	193	7/1/10	6/30/11	(39)		39						
Total Enterprise Fund					(39)		203	(171)		(7)			171
Total State Financial Assistance					\$ (4,951)		291,997	(288,619)		(1,573)		(12,303)	288,619

See accompanying Notes to Schedules of Financial Assistance.